

NEWS SUMMARY

GENERAL

Terror attack on farm kills 14

Fourteen black labourers and children were shot and burned to death on a white-owned farm 150 miles east of Salisbury by black gunmen, who earlier had warned them not to work there. The victims included a mother and five of her six children, aged between two and ten.

The massacre is the third atrocity against civilians blamed by the Rhodesian security forces on nationalist guerrillas within a fortnight. Thirteen British missionaries were hacked to death near the Mozambique border 10 days ago, and last week guerrillas slew an eight-strong black family in central Rhodesia.

Last night's massacre was announced with the deaths of 16 blacks and a white farmer, caught over the weekend in other areas of the guerrilla war.

Narita clashes

Fifty protesters were arrested in clashes with riot police at Tokyo's Narita airport while thousands more staged demonstrations nearby. Three petrol bombs were thrown through an airport gate and a truck caught fire.

Ceremony hit

Women's libbers disrupted a ceremony in gardens adjoining the House of Parliament to mark the 50th anniversary of equal voting rights for women. They heckled and shouted as former suffragettes met politicians and other leaders.

Girl, 3, killed

A three-year-old girl died after becoming entangled in a rotary clothes line in Gillingham, Kent. She rode into the line on her bicycle.

MP support

Labour MP Simon Mahon has sent a telegram of support to Archbishop Thomas Winning, Roman Catholic Archbishop of Glasgow, who criticised Prince Charles' remarks on differing church doctrines.

Ballot stalemate

The Italian Parliament failed last night at its sixth attempt to elect a new president of the Republic. A further ballot takes place this evening after talks between the main parties.

Flat raid claim

National Front official Mr. John Jones said that five men raided his Sheffield flat and stole branch files, after threatening to punch him and his invalid wife. He was slightly injured by an air pistol shot.

Nixon address

Thousands of Nixon supporters flocked to Hyden, Kentucky, to hear the ex-President's first public speech since resigning four years ago. He was dedicating a new recreation complex.

Diplomatic freeze

Sixteen Arab states "froze" diplomatic relations with South Yemen, whose Marxist leaders were accused of plotting the death of North Yemeni President Ahmed Hussaini Al-Ghashmi. Back Page

Briefly...

Prison security investigation was ordered in Manila after a doctor complained that he went shopping and bumped into a man jailed after kidnapping him.

Labour MP for Ogmore and former party chairman Mr. Walter Padley is to retire at the next General Election.

Police used tear gas to disperse 1,000 demonstrators after a Buenos Aires Mass marking the fourth anniversary of the death of former President Juan Peron. U.S. embassy fell to his death and two other were presumed dead after being swept away by a storm on Peru's highest Andean peak.

BUSINESS

Economy 'still short of boom'

IMPROVEMENT in UK economic activity and output remains uneven and falls short of boom conditions, the CBI monthly trends inquiry and the FT monthly business opinion survey show today.

Since early spring, total order books may have improved slightly, export order books shown a more marked recovery, and the proportion of companies with high stocks of finished goods reduced somewhat, the CBI inquiry shows.

But forecasts point to the volume of output over the next four months being much weaker than earlier in the year.

The FT survey suggests broadly similar conclusions.

Back Page and Page 7

CONSUMER BOOM is likely to be short-lived, with a slow-down in the rate of output growth next year, the London Business School's Economic Outlook forecasts. Inflation will accelerate and the current account will deteriorate next year, it adds. Page 4

MR. DENIS HEALEY is likely to announce a voluntary and flexible guideline for earnings growth of about 5 per cent in the next pay round, stockbrokers Phillips and Drew say. Page 4

BRITISH GAS CORPORATION is moving the U.S. headquarters of its International Gas Consultancy subsidiary from Stamford, Connecticut, to Washington. The move is prompted by need to be nearer the centre of U.S. political activity at a time when politics looks like overriding many of the corporation's marketing aspirations. Back Page and Page 3

Farm machine sales fall 12%

AGRICULTURAL EQUIPMENT Dealers Association reports a 12 per cent slump in home sales of tractors and machinery over the past year. Officials see little prospect of any big increase for the rest of this year. Back Page

CHRYSLER UK management and personnel in Coventry today to approve the final draft of a new planning agreement. Meanwhile, industrial disputes threaten to halt the company's car assembly within the next 48 hours. Back Page

COMMITTEE of Inquiry into the engineering profession is being urged by the Engineers and Managers Association to include the problem of union membership for senior staff in its report. Page 4

PUBLIC SECTOR unions are preparing claims for hefty increases in wage supplements paid to London staff. Claims of more than £200 for staff in inner London, with perhaps half that for workers in outer areas of the capital would be justified, the unions claim. Page 4

IRAN and a consortium of Western oil companies have reopened talks on a new long-term agreement. In Tehran. Page 2

DUBAI dry-dock being built by the Costain-Taylor Woodrow joint venture began a four-day controlled flooding programme before testing the dock gates—the biggest weighs 550 tonnes. Page 3

COMPANIES

TELEBRAS, the Brazilian telephone authority, has been awarded a mandate for a \$180m international loan, as has Korea Electric Company for a \$400m 10-year loan. Chase Manhattan is lead manager in both cases. Page 27

GEC SUBSIDIARY Telephone Cables has been awarded a contract to supply 7 km of optical cable to London Transport to be installed between Earl Court and Acton stations. Page 4

Airlines sanction plan for more freedom on fares

BY ROBERT GIBBENS, Montreal, July 2

Proposals for greatly increased competition between the world's airlines have been given the go-ahead in principle by the International Air Transport Association. Its special meeting in Montreal at the weekend approved a package allowing scheduled airlines greater flexibility and innovation in fare-setting, and freeing them from controls on meals, in-flight entertainment and other aspects of cabin service.

With solid support from British Airways, the North American airlines and many other international carriers, the show of hands vote was about two-thirds in favour of a package of nine recommendations put by a task force of the IATA executive committee, headed by Air Canada president, Mr. Claude Taylor.

Basically, the package says that there should be two levels of IATA membership, with flag-carriers able to charge what they want and not forced to charge higher fares to suit airlines with no direct interest in the route involved.

Two-level membership would allow individual airlines to opt out of fare and condition setting, while still having a say in safety, traffic control and documentation.

Most of the opposition to the package—designed to bring IATA into the realities of the market place, as Mr. Taylor put it—came from Mr. Salim Elsalam, speaking for Middle East Airlines and several African and Asian carriers. "You've gone overboard trying to spread the lawlessness of the North Atlantic to other areas

where rates are stable, and financial returns also," he said. He accused the executive committee of trying to stamp out members' voting rights.

The principles must be worked out in detail in conference committees, incorporating some objections and suggestions raised by members, and then submitted to governments, some of which, especially the U.S., have been increasingly critical of IATA in recent months. This process may last many months.

Regrouping

But the end result will be more competitive rates, especially at the lower end of the market. There will be more "no-frills" travel and some benefits should be available to business travellers.

Among the main proposals approved were: Regroup IATA activities into two categories—trade association activities, with membership mandatory; and passenger and cargo tariff co-ordination, membership optional.

Maintain existing traffic conference areas with some amend-

ments, but set up a mechanism for similar agreements in smaller geographical areas.

Enable members to introduce innovative fares and rates because of market changes without rescinding existing fare agreements.

Eliminate regulation of meals, bar service, sales on board and in-flight entertainment. Traffic conferences should review all resolutions to eliminate unnecessary regulation.

Permit third parties, Government agencies for example, to present their position to traffic conferences.

Modify IATA compliance programmes to emphasise "preventive rather than punitive" aspects.

IATA traffic committees' terms of reference to be redefined, and greater rotation of membership.

David Lascelles reports from New York: The main U.S. airline strongly backed the proposed changes to IATA on the grounds that the association badly needed to be adapted to meet changing circumstances, particularly on fares.

Editorial comment, Page 12

Miners prepare to attack call for pay restraint

BY CHRISTIAN TYLER, LABOUR EDITOR

THE PROMISE by the Prime Minister last week of another year of wage restraint at the end of this month, whether the unions like it or not, will be sharply attacked by the National Union of Mineworkers this week and again at the September Trades Union Congress.

It is feeling about the social contract and its attendant wage controls in the last three years is expected to put the conference of the NUM, which starts today at Torquay, firmly behind a Left-wing resolution declaring "total opposition to any proposed extension of the social contract into Phase Four".

A similar protest will be sent for debate at the TUC, where it is likely to be contested by unions like the General and Municipal Workers which are not in the TUC but with the Government as the "economic contract".

With an autumn election in the air, some union leaders already predict that the Congress will produce a majority for this moderate line.

Under the heading of "voluntary responsible collective bargaining," it would imply consent to the principle of modest wage rises, even though the Government's figure of 7 per cent for earnings cannot be agreed formally with the unions.

The framework of this new chapter of the social contract will be reviewed today at the TUC Labour Party Liaison Committee, whence it will go to the TUC General Council towards the end of the month.

The miners' resolution on economic policy comes from the South Wales area. It refers to "the terrible consequences of the 'employment in Britain today' and calls on the Government to stimulate demand by removing restrictions on wage bargaining and re-establishing its Socialist priorities by increasing expenditure on public services."

The wage claim for next year is not expected to generate controversy this week. There are calls for £110 and £135 a week for top-rated coal face workers, and for £75 for others, compared with the £75 based last year.

Phase Three increase in March.

Divisive move

Yorkshire, the biggest coalfield, will try to put miners on to a salary—but is calling for £6,500 a year—but does not seem very content of success.

Mr. Arthur Scargill, the area president, said yesterday that the purpose was to give miners the same "security and dignity" enjoyed by staff, Coal Board chiefs, and NUM officials like himself.

Much more divisive will be an attempt by Derbyshire, backed by Yorkshire, to make voting on the Right-wing dominated National Executive Committee proportional to areas' membership. That would give the Left a majority on key issues.

On Friday the executive voted, not surprisingly, 16 to 9 to oppose this change of rule, but, unusually and to the pleasure of the Left, it voted 13 to 12 for a Kent area motion instructing the executive to "act in accord with the written word and spirit of the rules."

Kent's motion also expresses "deep concern about the executive's failure to honour the rules, which it says has led to diminution of democracy."

The Kent motion is the result of great bitterness about the executive's decision to allow incentive payment schemes to be negotiated at area level after a pithead ballot had rejected the same scheme on a national basis.

Kent took the union twice unsuccessfully to court, first to stop the ballot, as a breach of conference decision; and secondly to protest at the executives' decision after the ballot.

Mr. Scargill conceded yesterday that the rule change, which requires a two-thirds majority of the delegates, would not get through.

Anticipating failure, Yorkshire will go ahead with its threat not to approve a 50 per cent increase in subscription that the financially-troubled union is seeking from its areas. That increase would mean Yorkshire contributing £125 a year.

Left-wing attack, Back Page Tory campaign, Page 4

Schmidt seeks African copper deal

BY JONATHAN CARR

BONN, July 2
HERR HELMUT SCHMIDT, West German Chancellor, has returned from his first visit to black Africa convinced that copper from Zambia and Zaïre should be drawn into the European Community's export earnings stabilisation scheme.

The scheme, drawn up under the Lomé convention between the EEC and a large group of developing countries, provides for compensation to the producers of certain raw materials if their earnings fall below pre-determined levels.

Herr Schmidt said in interviews that he would urge this step to his fellow Community leaders during the European Council meeting in Bremen.

He noted that the inclusion of copper would cost the Community countries a lot. But he felt the stabilisation scheme would be far better than others advanced—for example the conclusion of a world copper accord to which all producers would belong.

He said that the U.S. and the Soviet Union were among the main copper producers who would benefit from such an accord. He was not ready to pledge German taxpayers' money to achieve this result.

Herr Schmidt had talks during his five-day trip with President Kenneth Kaunda of Zambia—a country very largely dependent on its copper earnings. The Zambian trip was preceded by a visit to Nigeria.

Progress

John Edwards Commodities Editor, writes: Negotiations on an international copper agreement between producing and consuming countries to stabilise prices have made little progress during the past few years.

Leading copper-consuming countries, notably West Germany, Japan and the U.S., are convinced that an international pact for copper would be very expensive and unworkable.

However, copper is the most important of the 10 "core" commodities under the UN conference on trade and development integrated programmes aimed at bringing a new economic order for developing countries.

Given the failure to agree to a world pact, it would make sense for the EEC, which is very dependent on copper imports, to try to safeguard its future supplies by an individual agreement with exporting countries.

Unsurprisingly, the U.S. has been unsuccessful in its efforts to stop the pact, as a breach of conference decision; and secondly to protest at the executives' decision after the ballot.

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Left-wing attack, Back Page Tory campaign, Page 4

Treasury will resist extra spending plan

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

TREASURY MINISTERS this week will try to persuade the Cabinet to retain the present planned limits on the growth of public spending over the next few years in the face of proposals for additional expenditure from several departments.

The extra items would, if approved, add several hundred million pounds to the total from 1979-80 onwards.

Unless other programmes were cut, the result would be a faster growth in the volume of total expenditure than the 2 per cent annual rate specified in last January's spending White Paper.

The Treasury is determined to retain this limit in view of the Government's stated "firm intention," reiterated in the Budget speech, to contain the growth of expenditure from next year within the expected growth of the economy as a whole.

The latest official view is believed to be that the economy is unlikely to be able to grow by more than between 2 and 3 per cent on average in real terms in the next few years without undermining the current account, monetary and inflation objectives.

The Cabinet this week will discuss the Government's expenditure plans up to 1983 as part of the annual review.

Limited

Last January's White Paper specifically included a large contingency reserve in allow for extra items. But decisions to increase spending in the April Budget, notably the uprating of child benefits, have already resulted in the commitment of about half the £1.5bn reserve for 1978-80.

There is only limited scope for further reducing the reserve before the start of the next financial year.

An additional constraint is applied by the usual process of re-estimating the cost of existing programmes which may involve cuts in some areas.

A special problem now is that the Government has made a number of forward commitments on public sector pay—notably for the Armed Forces and firemen—which may mean that the relative cost of public sector services is rising faster than in the economy as a whole.

This unfavourable relative price effect means that public spending in cost terms is rising more rapidly than when stated on the normal volume basis.

Priorities

The timing is, potentially, politically awkward, since the Government will clearly want to avoid a divisive dispute over spending priorities between ministers so soon before a probable election.

One solution may be for the Cabinet to indicate the overall limits of planned spending and to leave the detailed issues until the autumn, after an election.

This would, just, leave sufficient time for a White Paper to be produced early in the New Year.

But the spending Ministers concerned are known to want

Barclays may vary hours

BY NICK GARNETT, LABOUR STAFF

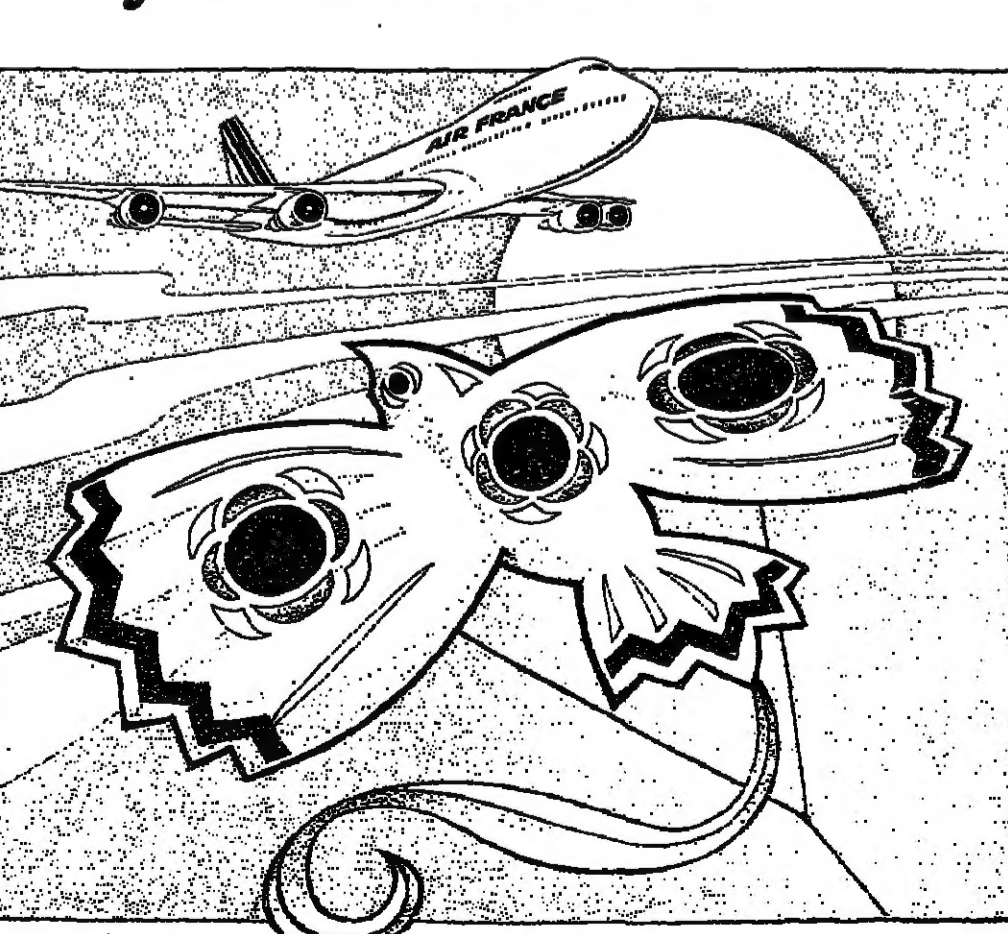
BARCLAYS BANK hopes to start a pilot scheme of flexible opening hours in the autumn which would form the basis of a permanent small network of branches open outside conventional banking times.

Other clearing banks will watch the scheme carefully. Barclays, which has still to start formal negotiations with the unions on the proposal, said yesterday that it hoped about 20 branches would be in the initial project.

The scheme would involve earlier morning and later afternoon or evening opening. The unions are considering proposals from the bank to open more bureaux de change. They recently agreed to Saturday opening of the bank's Brent Cross shopping precinct branch.

Negotiations with the unions, which are suspicious of the over-reliance on conceding more flexible opening in some branches may prove awkward for project.

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OVERSEAS NEWS

WINE AND FRUIT GROWERS CHEER SPEECH

Bar Spain from EEC says Chirac

BY ROBERT MAUTHNER

M. JACQUES CHIRAC, the French Gaullist leader, has vowed to do everything in his power to block Spain's entry into the Common Market, thus directly contradicting President Valéry Giscard d'Estaing, who last week emphasised that France was in favour of Spanish membership.

By stressing during his state visit last week to Spain that Spanish membership was in the EEC's interest, M. Giscard d'Estaing appeared to have dispelled the Madrid Government's suspicions about French policy. It is now clear, however, that opposition in France to Spanish membership will be much greater than the Government envisaged and could have a decisive influence on its attitude.

Two major French political

parties—the Gaullists and the Communists—have already made clear that they are categorically opposed to Spain's entry, while the Socialists are still sitting on the fence. The Gaullists and Communists have the powerful backing of the southern wine, fruit and vegetable growers, who have not hesitated in the past to organise huge and sometimes violent demonstrations in support of their cause.

M. Chirac's remarks were made in a speech yesterday at Castelnau, near the Spanish frontier, to some 7,000 delegates representing the wine and fruit growing regions of south-western France. The speech was given with enthusiastic reception.

M. Chirac said that Spanish membership would place French wine growers, already badly hit

by imports of Italian wine, in a dramatic situation. "It would be a capital error," he added to loud cheers.

If Spain joined the EEC, there would be no technical way of stopping entry into France of Spanish wine, fruit and vegetables, which were already threatening to flood the French market. "Tearing up vines and orchards is an absurd and inhuman solution," M. Chirac said. "We have a quality product and it is up to us to create the conditions under which it can be developed."

The Gaullist leader did not, however, confine his party's opposition to Spanish membership alone. Any enlargement of the Community would mean the total paralysis of the European system. The entry of Britain,

Denmark and Ireland had already blocked the development of the Community's Common Agricultural Policy (CAP). If Spain, Greece, Portugal and Turkey became members, it would mean "the end of all European ambition," M. Chirac said.

President Giscard d'Estaing, for his part, does not deny that many difficult obstacles have to be overcome before Spain becomes a member of the EEC. All that he did during his visit to Spain was to have emphasised that the French Government has no objection in principle to Spanish entry. In order to facilitate the negotiations between Spain and the EEC, M. Giscard d'Estaing has proposed that regular meetings should be held between French and Spanish officials to identify and examine specific bilateral problems.

PARIS, July 2

Desai may seize chance to reshuffle

By K. K. Sharma

NEW DELHI, July 2.

THE CRISIS in the ruling Janata Party deepened to-day with the resignation from his post of Mr. Rabi Ray, the party's general secretary. He remains a member of the national executive. Mr. Ray is a follower of Mr. Charan Singh who resigned as Home Minister on Friday after a demand from Mr. Morarji Desai, the Prime Minister, for the resignation of both Mr. Raj Narain, the Health Minister, and Mr. Charan Singh.

The wrangles at the centre are having repercussions in the states. Mr. Devi Lal, Chief Minister of Haryana, who is also a supporter of Mr. Charan Singh, is facing a campaign for his resignation.

Efforts are under way to arrest the trend towards break-up of the Janata Party, notably from the powerful Jansangh group within it. But for the moment Mr. Desai appears to be having things very much his own way and he is anxious to rid the party of his opponents. He may find this difficult because of lack of co-operation from the Jansangh but the indications are that he will seek to reshuffle his Cabinet as soon as possible.

Mr. Charan Singh has announced, meanwhile, that he will leave the Janata. "We do not want to leave the Janata Party which we were instrumental in building," he stated.

He blamed multi-nationals and big business for his resignation, claiming that they had applied pressure for his removal since his policy of promoting small industry and agriculture did not suit them. He also implied that there was foreign pressure behind the demand for his resignation. He said he would concentrate on taking his ideology to the people and would expose vested interests.

U.S. agency halts work on nuclear power station

BY DAVID LASCELLES

NEW YORK, July 2.

THE ANTI-NUCLEAR power lobby's victory over the Nuclear Regulatory Commission (NRC) ordered a halt, for the second time, to construction of the controversial Seabrook nuclear power station in the state of New Hampshire.

The NRC said work must stop by July 21 and that no new permit would be issued until after the Environmental Protection Agency inspected the plant's proposed cooling system and the NRC had considered other sites.

Although the NRC acted in

response to petitions from down. The state utility commission, which has been ordered to halt work on the Seabrook project, has become the focus of a series of demonstrations. Only ten days ago several thousand people held a second annual rally there.

These groups to-day praised the NRC's ruling, but the pro-Seabrook lobby, which includes leading figures of the New Hampshire legislature, expressed anger and disappointment. The State's Governor, Mr. Meldrim Thomson, said: "The people of New Hampshire will not take this lying

abide will not take this lying

Asmara break-out attempt 'smashed'

Guerrillas fighting Ethiopian rule in Eritrea said yesterday they had smashed a big drive by Government troops trying to break out of Asmara, the besieged provincial capital.

A spokesman in the Sudanese capital of the Eritrean Liberation Front (ELF) said the battle was fought throughout Saturday. A big Ethiopian force supported by tanks, artillery and aircraft was defeated near the village of Adi Gumbulo, south of Asmara. Officials of another Eritrean group, the Eritrean Liberation Front (ELF), fighting along Eritrea's southern border with Tigra, also claim to have halted advancing Ethiopian forces.

The Eritrean liberation forces control about 85 per cent of the territory's 45,000 square miles. Only three major cities and two smaller garrisons are in Government hands, the insurgents say. For the past two weeks the Government radio has forecast the imminent fall of guerrilla-held towns on the coast, including of Eritrea's main highway.

The announcement of the ELF victory near Asmara came a day after a statement by the ELF that it had stopped a large Government force from crossing the southern Eritrean border at the Mareb River, north of the Tigra town of Aduwa.

Cocos purchase

Australia announced yesterday that it would buy the Cocos Islands in the Indian Ocean from their British owner whose family was wealthy by Queen Victoria. Reuter reports from Canberra that Mr. Robert Elliott, Home Affairs Minister, said Australia would pay Mr. John Clunies-Ross, known as "King of the Cocos," A\$4.25m for the 27 atolls making up the group. The sale would be completed by September.

Australia's move to assume full control of the islands follows strong criticism of Mr. Clunies-Ross's one-man rule by a UN decolonisation committee.

Cuba's role defended

An envoy from Dr. Fidel Castro, the Cuban leader, said in Kenya that Cuba's involvement with some African countries was not part of a grand design to spread Communism or to boost Cuba's image in the third world. John Worral reports from Nairobi. Mr. Alipio Zorrilla, Ambassador extraordinary and plenipotentiary, who is touring Africa on a goodwill mission, said Cuba's main aim in Africa was to assist the struggles of the African people to defend their rights. Cuba would continue to do this regardless of any propaganda campaign waged against her. The ambassador spent the weekend in Nairobi to discuss preparations for the summit of non-aligned nations in Havana next year.

Fifty airport arrests

Fifty opponents of Tokyo's new international airport were arrested yesterday when the movement staged its biggest demonstration since the airport was opened six weeks ago. Reuter reports from Narita. Organisers of the protest said about 15,000 people took part in a rally and march while some groups carried out guerrilla-style harassing tactics as 10,000 riot police ringed the airport. About 15 radicals, wearing red helmets and hurling petrol bombs, used two trucks to try to burst through a gate at the airport, 40 miles east of Tokyo. One of the trucks, carrying petrol bombs and propane gas cylinders, was gutted after it collided with an armoured police car and burst into flames.

Soviet manoeuvres

The biggest Soviet military manoeuvres in central Europe since the 1975 Helsinki security conference start in East Germany today, Reuter reports from East Berlin. Some 30,000 Soviet soldiers and airmen are due to rehearse co-ordination between units for five days across a 125-mile swathe of East Germany from Lieberose near the Polish border to Stendal and Magdeburg close to the western frontier.

EEC budget

Mr. Christopher Tugendhat, the Common Market's Commissioner for Budget, will submit the preliminary draft of his Budget for next year to the European Parliament when it opens in Luxembourg today for its last five-day session before the summer recess. Reuter reports.

Mr. Tugendhat is proposing an increase of 15.3 per cent, the smallest for several years, which would commit about \$180m for spending next year. Final figures will be arrived at after talks between the Parliament, EEC Ministers and the Commission.

Thirty-five die in Beirut weekend of violence

BY HANAN HAJAZI

BEIRUT, July 2.

HEAVY FIGHTING broke out in Beirut today for the second day running between Syrian troops and the Arab peace-keeping force and Christian militiamen. The city was rocked by shelling, mortar and rocket fire.

Right-wing sources said that the headquarters of the two biggest right-wing parties had been hit. "Our headquarters is on fire, so official of ex-President Camille Chamoun's National Liberal Party said. It has been hit several times."

Right-wingers said the headquarters of the Phalangist party, the right's biggest group, had also been hit. The party radio station was knocked out by the mortar bombs.

Earlier today three Syrians were reported to have been killed by Christian militia in east Beirut. The death toll in yesterday's fighting between Syrian troops and the Arab Peace-keeping Force rose to 32 after a number of the wounded died overnight, according to hospital officials. At least half of the dead are militiamen of the two main Christian factions, talks.

Portugal's labour laws worry foreign investors

BY OUR OWN CORRESPONDENT

LISBON, July 2.

FOREIGN INVESTORS in Portugal are worried about the country's labour legislation, it was reported during a meeting of investment held in the capital last weekend. About 200 investors took part in a one-day discussion organised by the Government's Foreign Investment Institute, an inquiry among potential foreign investors showed 38 per cent happy with the Government's approach to investment and 2 per cent unhappy.

Those taking part in the meeting considered Portugal's application to join the EEC to be an important incentive to investment. Portugal set up the Institute recently to act as the main channel for outside investment.

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WORLD TRADE NEWS

NEWS ANALYSIS — U.S. GAS INDUSTRY

A need for political influence

BY RAY DAFTER, ENERGY CORRESPONDENT

BRITISH Gas Corporation's decision to move the U.S. headquarters of its International Gas Consultancy subsidiary from Stamford, Connecticut, to Washington, has nothing to do with a desire to be nearer the market place, which is the usual motive for such moves. Instead, British Gas wants to be closer to the centre of America's political activity at a time when politics looks like over-riding many of the Corporation's marketing aspirations.

IGC is part of British Gas's International Gas Consultancy Service, the marketing arm for the Corporation's technology in such fields as gas production, processing and transportation. Its turnover is currently running at about \$3m a year, about 75 per cent of which is received in dollars and around \$4m of which comes from the U.S.

The Gas Corporation's processes for making substitute natural gas (SNG) from oil-based products have, in the recent past, accounted for much of the U.S. turnover.

However, the U.S. market for new SNG plants has turned distinctly sour and many of the reasons for this can be found among the politicians and lobbyists in Capitol Hill. Consequently, British Gas is moving offices, a change which coincides with a transfer of senior personnel. Today Mr. George Perceval, a director of IGC and co-inventor of the gas plant controlling process, returns to London after five years as British Gas representative in the U.S. His place is

being taken by Mr. Graham Bolton, an engineer.

The small U.S. office acts mainly as a listening post, with its British Gas representative supported as needed by technologists and engineers based in the UK. The sound emanating from Washington and relating to SNG prospects have not only been a concern within British Gas but also disappointment among the constructors of such gas plants. Five engineering contractors — Lummus, Foster Wheeler, Bechtel, Davy Powergas and McKee — have rights to use British Gas technology in the U.S., the processes themselves being in competition with systems developed in Germany and Japan.

At the beginning of 1974 it was possible to count 44 possible orders for new gas plants. These projects were in various stages of planning but British Gas was confident that its process, tried and tested in many plants in the U.S. and elsewhere, would be used in perhaps half the units. These orders would not only have boosted British Gas royalties, but would have provided IGC with a major technological servicing commitment.

But the orders evaporated as the depth of the energy crisis became apparent. Politicians and the big petrochemical companies were worried that chemical complexes might run short of feedstock—oil-based products such as naphtha, ethane, propane and butane which are also used to make substitute natural gas in the current generation of gas plants.

The result is that no gas company, with one exception, can obtain a Federal licence to convert such refinery products into SNG. The exception is Indiana Gas which is looking at the possibility of building a small plant—possibly 30m to 60m cubic feet a day—on the outskirts of Indianapolis. It has a special five-year licence to use oil products because it has been able to show that it is replacing an older oil-based unit.

The U.S. Government view is that the oil products should be reserved for the chemical industry. There is a feeling that compared with a chemical plant, an SNG unit is an inefficient way of converting a prime energy source. British Gas challenges this assumption, however. It reckons that petrochemical plants achieve an energy conversion efficiency of 56 per cent (that is 15 per cent of the potential energy is lost in the conversion process) while SNG units achieve an efficiency rate of over 92 per cent.

The gas industry in the U.S. finds it hard to disguise the fact that, when it comes to the SNG question, it may be losing the fight to the more powerful petrochemical lobby. Gas companies must endeavour to meet the nation's growing energy needs from home produced natural gas, although even here there are environmental constraints on development projects.

Mr. Mike Butler, a British engineer working for Davy International's U.S. subsidiary Davy Powergas, believes that more SNG plants will be built in the U.S. only if there is another gas shortage crisis.

"The petrochemical lobby is fighting tooth and nail to prevent the gas industry getting their feedstock," said Mr. Butler, who supervised the construction of a plant for Columbia Gas in Green Springs, Ohio. The five-year old plant, constructed with British Gas technology, still remains the biggest SNG unit in the world. It is capable of

producing a total of 250m cubic feet of gas a day—enough to meet the needs of 500,000 average residential customers.

The plant, which is run on a mixture of ethane, propane and butane, also provides a pointer to another problem facing companies associated with SNG development. British Gas has been improving the catalyst used in the process to such a degree that the product—a nickel catalyst costing \$5 a pound—is bought by Bayer which will market them under its own name through its existing outlets for synthetic rubber and rubber chemicals.

The marketing operation will cover East and West Europe. Bayer says it does not yet know what quantities will be involved—this will depend on sales performance.

Dow and Bayer have also agreed to exchange information on the applications of chlorinated polyethylene which they have gained in their respective American and European markets.

Bayer to sell Dow elastomers

By Sue Cameron

THE GERMAN Bayer group is taking over the European marketing of the U.S.-based Dow Chemical company's chlorinated polyethylene elastomers.

Dow Chemical manufactures chlorinated polyethylene elastomers—used in the production of rubber—in the U.S. and until now it has carried out its own European marketing. But in future Dow's elastomers will be bought by Bayer which will market them under its own name through its existing outlets for synthetic rubber and rubber chemicals.

The marketing operation will cover East and West Europe. Bayer says it does not yet know what quantities will be involved—this will depend on sales performance.

Dow and Bayer have also agreed to exchange information on the applications of chlorinated polyethylene which they have gained in their respective American and European markets.

Testing programme begins for Dubai dry dock

BY MICHAEL CASSELL, BUILDING CORRESPONDENT

ONE of the largest construction projects in the Middle East, the Dubai dry dock complex being built by the Costain-Taylor Woodward joint venture, moved a major step nearer completion over the weekend.

On Saturday, the contractors began a four-day controlled flooding programme as a preliminary to testing the dock gates—the largest weighing 850 tonnes—and operating winches.

The gate components were fabricated in Scotland, shipped to Dubai and welded on site. The flooding involves the working area between the outer cofferdam—which will eventually be

removed—and the docks themselves. Once engineers are satisfied that the gates perform properly, water will be pumped into the docks.

Work began on the complex in 1974 and is due to finish on schedule early in 1979. The contract is valued at \$162m but is, by completion, expected to have cost in excess of £200m.

When testing is finished, the contractors will be completing shoreworks and services. The three drydocks involved have been designed to accommodate super-tankers with capacities of 1m tonnes, 500,000 tonnes and 350,000 tonnes respectively. The complex will also provide repair and maintenance facilities for berthing eight very large crude carriers.

So far, Dubai has not appointed an operator for the dry dock, which is adjacent to the deep water harbour of Port Rashid, on which the Costain-Taylor Woodward joint venture is also working.

The two contractors are involved in a £120m programme to extend the port's existing facilities. Work started two years ago and is now half completed. When the extensions are finished, the port will accommodate 37 ships in 1,150 acres of enclosed water.

Swedes in N. Sea liner pact

BY WILLIAM DUFFLORCE

STOCKHOLM, July 2.

BROSTROM, the Swedish ship-owning group, has resolved the problems of its North Sea liner trade operated under the Swedish Lloyd label by a long-term co-operation agreement with its new rival, Oden Line. From January 1 the two companies will operate jointly from Gothenburg, four roll-on/roll-off vessels to Tilbury and Felixstowe and later in the year to a port in the north of England. The route will also cover Ghent in Belgium.

In April Brostrom announced that it was postponing delivery of two new ro/ro vessels from the Japanese Mitsui Shipyard because of potential over-capacity on the North Sea liner trade. It complained that Swedish state shipbuilding subsidies had led to a newly established company to order three ships for use between Sweden and Britain.

This company was the Oden Line, owned by Nordsejoffert and Berntsson Aaker, which had obtained a five-year freight contract from Volvo, the Swedish motor manufacturer. The three ships to be delivered to Oden from Svenska Varv, the Swedish state shipbuilding company, constituted a serious threat to Swedish Lloyd.

Now Brostrom has announced an agreement, under which it will supplement Oden's three vessels with one of its own and Swedish Lloyd's current liner routes will be extended to the north of England port, serving northern and central England. Swedish Lloyd's existing facilities in Britain will continue to be

used but the two Swedish shippers have agreed with Volvo to operate a new joint terminal at Aalborgshavn near Gothenburg.

The agreement with Oden gives Brostrom the option to get in extra vessels, if the growth in freight warrants them. Swedish Lloyd currently operates two vessels which were due to be replaced by the two ordered from Mitsui. It now hopes that North Sea traffic will expand sufficiently for the second new ro/ro ship, due for delivery in the middle of 1980, to join the four operating under the agreement with Oden.

Until the beginning of 1979 Swedish Lloyd's routes in Tilbury, Grangemouth and Ghent will continue to operate as at present.

UK oil shipments

BY OUR INDUSTRIAL STAFF

UP TO a third of Britain's North Sea oil exports have gone to the U.S., according to H. P. Drewry, the London shipping consultant.

The estimate comes in a week-end report on oil tanker movements to and from the North Sea oil fields. Excluding ship movements within the UK and Norway area, a third of the tankers used on North Sea export trades discharged cargoes in the U.S. Gulf ports. A tenth of tanker movements discharged in the Caribbean, with the balance discharging on the Continent.

The report expects tanker demand from North Sea oil trades to more than double from 2.7m deadweight tons this year to 5.6m dwt in 1982, assuming Britain continues to permit the export of only one third of UK oil production.

On North Sea trades in 1982 is equivalent to up to an extra 10 per cent of the current supply of tonnage in the 50,000 dwt to 125,000 dwt range now commonly used. The rise in demand on North Sea routes would be accompanied by a loss of 31m dwt of tanker demand on long-haul, routes from the Middle East via the Cape to Europe. By 1982 this downturn would be up to 53m dwt, mainly a loss of very large crude carrier demand.

The overall impact of growing North Sea oil production would be to prolong the tanker surplus and to concentrate it within the Very Large Crude Carrier range. Owners and charterers of smaller ships, however, would not be immune. Increased demand for lighter operations was likely to reduce demand for small and medium tonnage vessels.

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Highlights from the Chairman's Statement

- * Net profit before taxation and extraordinary items for the year ended 31st December 1977 £790,553 on sales to third parties £16,871,543.
- * Total dividend 78p for the year—maximum allowed under the present government regulations.
- * Scrip issue of one Ordinary share for every 10 Ordinary shares held.
- * Surplus on disposal of Lloyds British £869,000 included in extraordinary items of £880,154.
- * Stronger financial base allows greater flexibility in developing plans.
- * Directors look forward with confidence to a successful year.

PLASTICS — ENGINEERING — TEXTILES

World Economic Indicators

	May 78	Apr 78	Mar 78	May 77	Year	Index
UK	195.7	194.6	191.8	181.7	7.7	1974=100
Holland	120.0	119.8	119.0	115.9	3.5	1975=100
Italy	131.3	129.9	128.5	116.9	12.3	1976=100
France	197.4	195.8	193.4	181.1	9.0	1970=100
U.S.	193.3	191.5	189.2	180.6	7.0	1967=100
Belgium	126.8	126.7	125.4	120.5	5.2	1975=100
W. Germany	145.0	144.5	144.2	141.5	2.4	1970=100

RETAIL PRICES

% change

previous

Index

year

base year

1974=100

1975=100

1976=100

1970=100

1967=100

SHIPPING REPORT

Interest centres on Gulf market

By Lynette McLean

MARKETING ACTIVITY in world markets continued last week and fears that the modest slowdown at the end of the period would follow through into July.

Medium size tonnage was well represented in the market and the major interest centred on the fortunes of the latter carriers from the Gulf. Brokers said at the weekend that the volume of very large crude carriers and ultra large crude carriers available for July was the lowest for one month for a long time at 2.18m tons.

One major factor in the improvement in the Gulf was the breaching of the monopoly held by the U.S. charterers and Continental charterers by a London major who fixed a 320,000-ton vessel at the lowest level of Worldscale 21 for western discharge. Before this a 275,000-ton vessel which had been waiting for a cargo in the Gulf since March 4, obtained the improved Worldscale 26 for eleven days.

Mediterranean and West African inquiries were steady during the week, but with slightly weaker dry cargo sector. Some combination carriers were seeking oil cargoes to the U.S. The result was that rate levels did not show the increases brokers had expected.

U.S. charterers paid Worldscale 40 for a 78,000-ton ship and Worldscale 35 for a 60,000-ton cargo.

On the dry cargo markets, there was little renewal of grain activity, but rates held up on miscellaneous demand. Owners are more optimistic that the market would hold through the summer at current levels. Far East markets showed weakness, especially for tween deck tonnage.

One trades in the Far East produced three large bulk fixtures at declining rates. It was also a thin market for ore trades in the Atlantic, with the rates from West Africa to the Continent down 50 cents. In Atlantic coal trades there was only limited activity.

Renault in Bolivia

Renault has been awarded a concession to build cars in Bolivia for sale throughout the Andean common market. The contract with Renault, and another with Mercedes Benz, to build trucks will be signed next month, the government said. Meanwhile in Caracas the Venezuelan Government has awarded Renault and General Motors exclusive rights to manufacture six cylinder engines to meet Venezuela's assignment under the vehicle programme.

Businessman's Diary

U.K. TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current—July 28	International Wool Secretariat's "Wool Interiors"	Carlton Gardens, S.W.1
Current—July 6	Royal Show—National Agricultural Centre	Kenilworth
July 5-7	Motorradex 78—Exhn. for retail motor trade	Bristol
July 10-15	British Open Golf Championship Exhibition	St. Andrews
July 11-13	Great Yorkshire Agricultural Show	Harrogate
July 11-14	BMA Annual Pharmaceutical Exhibition	Cardiff
July 12-29	Royal Tournament	Earls Court
July 12-29	Harrogate City Fair	Harrogate
July 18-20	East of England Show	Alwalton
July 18-20	British Association for Commercial and Industrial Education: Training Exhibition	Imperial College, S.W.7
July 18-30	World Wine Fair	Bristol
July 21-29	Middle East Business Expo '78	Grosvenor House Hotel, W.1
July 21-29	Brighton Antiques Fair	Corn Exchange, Brighton
July 25-27	Royal Welsh Show	Llanelli
Aug. 1-17	Third National Sheep Demonstration	Kenilworth
Aug. 13-17	International Gifts Fair	Olympia
Aug. 22-24	Education and Communication Technology Exhn.	Holland Park School, W.8
Aug. 13-17	International Motor Cycle Show	Earls Court

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Current—July 9	International Rehabilitation of the Handicapped, Exbn. and Congress	Basle
July 4-6	Third Int. Conf. and Exbn. on Marine Transport using Roll-on/Roll-off Methods	Hamburg
July 10-14	First International South African Training and Education Symposium and Exhibition	Johannesburg
July 18-25	Photographic and Audio Visual Exhibition	Tokyo
July 25-Aug. 20	International Fair	Damascus
Aug. 30-Sept. 3	16th Overseas Import Fair	Berlin
Sept. 3-8	Third International Offshore North Sea Technology Conference and Exhibition	Stavanger

BUSINESS AND MANAGEMENT CONFERENCES

July 4	European Study Conference: Computer Fraud—Protection of Computer Use from Plagiarism and Abuse	Hilton Hotel, W.1
July 4	Executive: The Pearson Report—Liability for Product Safety	Hotel Russell, W.C.1
July 4	Business Perspectives: Implications of the Finance Bill	London Tara Hotel, W.8
July 4-6	Brit. Inst. Mngt.: Rapid and Efficient Reading	Parker Street, W.C.2
July 4-6	Manchester Univ.: Textiles in Civil Engineering	Manchester
July 4-6	Anthony Skinner Mgmt.: D.P. Enrol. Syst. Control	Café Royal, W.1
July 5	Lenorm: Print Buying Professionally	Mark Lane, E.C.3
July 5	Council of British Manufacturers of Petroleum Equipment: Safety Officers (Lunch address by Home Sec.)	Café Royal, W.1
July 5	Local Authorities Management Services: Mini-computers and Housing	Sussex Place, N.W.1
July 5-6	Inst. of Marketing: White Collar Trade Unions and Sales Management	London Penta Hotel, S.W.7
July 5-7	Fairleigh Dickinson University: Financial Considerations Large Projects in Arab Countries—Water, Telecommunications and Power	London Hilton, W.1
July 6	European Study Conference: Tax Planning for the Family Business	London Hilton, W.1
July 6	Interface Mgmt. Resources: Employment Law	London Hilton, W.1
July 6	Inst. of Personnel Management: Productivity—A Conflict of Interests	Reading University
July 6	Lenorm: Colour in Print	Mark Lane, E.C.3
July 7	Brit. Inst. Mngt.: Interpreting Accounts to the Non-Financial Manager	Parker Street, W.C.2
July 9-14	Bradford University: Management Information and Modelling Systems	Bradford
July 9-14	Bradford University: Effective Advertising Management	Bradford
July 10	P.E. Manufacturing & Personnel: One week's course on the Art of Management	Egham, Surrey
July 10	London Chamber of Commerce: Business Forum—Advertising Strategy in the Middle East	Cannon Street, E.C.4
July 10-13	Govt. of Ontario: World Conference of Future Sources of Organic Raw Materials	Toronto
July 10-21	Financial Times: Financial Management for the Non-Financial Executive	City University, London E.C.1
July 11	Anthony Skinner Management: The Legal Aspects of Buying	Piccadilly Hotel, W.1
July 11-12	AMR International: Successful Negotiating Strategies and Performance	Royal Garden Hotel, W.8
July 11	AGE Conference Services: Taxation and the Higher Paid—a workshop on Fringe Benefits	Inst. of Directors, S.W.1
July 11-12	Lenorm: Cost Effective Print in Marketing	Mark Lane, E.C.3
July 11-12	European Study Conference: Corporate Liability for Defective Products (Pearson Report)	Kensington Palace Hotel, W.1
July 11-12	Anthony Skinner Management: Improving Employee/Management Communications, Improving Negotiating and Bargaining Skills in Industrial Relations	Café Royal, W.1

This week's business in Parliament

TODAY

COMMONS—Debate on the threat to patients from disputes in the National Health Service. Debate on rural planning in Northern Ireland. Proceedings on Representation of the People Bill, Theft Bill (Lords), remaining stages. LORDS—Debate on low productivity. Debate on independence. OMBUDSMAN—Expenditure. Education, Arts and Home Office Sub-committee. Subject: Prison system. Witnesses: British Association of Social Workers, Lord Harris. 4.15 pm. Room 6.

TOMORROW

COMMONS—Debate on Opposition motion on employment. Debate on a timetable motion on Scotland Bill. LORDS—Debate on approximation of laws in the EEC. Motion on the case of Mr. D. C. Anderson QC. Debate on passing of U.S. tanker aircraft at Fairford. SELECT COMMITTEES—Nationalised Industries. Sub-committee C. Subject: revival bus services. Witnesses: Mr. John Horam, Under-Secretary for Transport, and officials. 4 pm. Room 8.

WEDNESDAY

COMMONS—Finance Bill, report stage. Lords—Immunity Bill (Lords). LORDS—Local Government (Amend.) Bill, report stage. Wales Bill, report stage. Rating (Disabled Persons) Bill, report stage. Consumer Safety Bill, report stage. SELECT COMMITTEES—Nationalised Industries. Sub-committee C. Subject: independent Broadcasting Authority. Witnesses: Independent Broadcasting Authority, Lord Harris of Greenwich. 4 pm. Room 8. Parliamentary Commissioner for Administration. Subject: Ombudsman review of access and jurisdiction. Witnesses: Civil Service Pensioners' Alliance. 5 pm. Room 7.

THURSDAY

COMMONS—Lords amendments to Scotland Bill. LORDS—Wales Bill, report stage. SELECT COMMITTEES—Expenditure. Education, Arts and Home Office Sub-committee. Subject: Measures to prevent collisions of noxious cargo carriers. 10.30 am. Room 16. Race Relations and Immigration. Subject: Effect of EEC membership on race relations and immigration. Witnesses: UN High Commissioner for Refugees. 4 pm. Room 6. Science and Technology. General purposes sub-committee. Subject: Government observations on third and fourth reports of the Select Committee, session 1976-77. Witnesses: Mr. Anthony Woodhead Benn, Energy Secretary, Sir Hermann Bondie, Chief Scientist. Department of Energy. 4.30 pm. Room 15.

FRIDAY

COMMONS—Appropriation (No. 2) (Northern Ireland) Order and Northern Ireland (Financial Provisions) Order. LORDS—Wales Bill, report stage.

PERSONAL

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In a piano recital of works by
Torres Carrasco, Schumann, Chopin
FRIDAY 7 JULY at 7.30 pm
an evening of chamber music by the
distinguished Venezuelan Composer

ALEXIS RAGO
with
THE DUNKA TRIO
Suzanne Rago, Vivian Joseph,
Paul Hamberger
and
Jana Austin Debono. 10.20-10.40 pm
10

Metamorphosis Trio, Alternative 7
7 Dancers Pina Solis, Songs with
vocals by Venezuelan poet
Adriano de Venecia. 10.45-11.15 pm
Admission by donation obtainable
from the Venezuelan Embassy,
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The Scheme of Arrangements under Section 206 of the Companies Act, 1948, involving the transfer of British American Tobacco Company Limited to British American Tobacco Company Limited (the "Company") and the cancellation of the shares of the Company held by the shareholders of the Company, is hereby approved by the shareholders of the Company at a general meeting held on 27th July 1978. The Scheme of Arrangements is contained in the Statement of Arrangements and the Statement of Reasons therefor, both of which are available to the shareholders of the Company at the registered office of the Company, 10, Abchurch Lane, London E.C.4N 3DF, and at the offices of the Company's solicitors, Messrs. G. J. & J. H. B. & Co., 10, Abchurch Lane, London E.C.4N 3DF, and at the offices of the Company's bankers, Messrs. J. H. & J. H. B. & Co., 10, Abchurch Lane, London E.C.4N 3DF.

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EXHIBITIONS
SCULPTURE IN TIME AT ASPECT, Exhibition of Aspects of Sculpture, 10, Abchurch Lane, London E.C.4N 3DF. Tel: 01-477 7611. Selection of British and Foreign Paintings, Sculpture, and other works of art. Open daily 10.30-5.30 pm. Admission 10p.

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HOME NEWS

LABOUR NEWS

Tories clear decks for autumn election

BY RICHARD EVANS, LOBBY EDITOR

A NATIONAL CAMPAIGN is being launched by the Conservative Party today to recruit new members willing to commit themselves to active work for the party before an October election, should there be one.

It is the latest in a series of moves by the Tories to ensure the party is fully prepared for what leaders regard as the inevitable autumn campaign.

Mrs. Thatcher, Conservative leader, held the latest in a series of meetings with senior colleagues at her London home at the weekend to debate strategy. Discussions centred on the need to emphasise the party's wish to avoid confrontation with the unions over industrial policy.

The party's manifesto is already in draft form although it has not been considered as a whole by the Shadow Cabinet and work will be completed by the end of next month.

Transport House has also been increasing the tempo of its election preparations and Labour Party agents have been told to tighten up their organisation and

to build up campaign funds fast.

An attempt is being made by leading members of the party's National Executive Committee to hold a joint meeting with the Cabinet later this month to start drafting the manifesto.

Mr. Callaghan might be unwilling to commit himself to discussing details before September. The less time there is before an election the less scope there will be for the NEC to press policies Mr. Callaghan regards as electorally damaging.

Recruiting

The novel Tory recruiting campaign is to persuade every known party supporter to join and to commit him or herself to eight hours' work before the campaign and a further eight hours during the election itself.

In a "personal invitation" from Mrs. Thatcher, supporters are asked to make a contribution to the party in a number of ways ranging from clerical help, distributing leaflets and display-

ing posters to driving cars and being trained canvassers. The campaign is being run this month, next month and September.

On the Parliamentary front, Conservative leaders plan to step up their attacks on the Prime Minister and Mr. Denis Healey, Chancellor, in the knowledge that during the long summer recess the political pendulum tends to swing in the Government's favour.

The first target will be the Government's employment record, which the Tories have chosen as the subject for debate in the Commons tomorrow. Sir Keith Joseph, shadow Industry Secretary and Mr. James Prior, shadow Employment Secretary will be the main opposition speakers.

There is a chance that the Conservatives will keep Parliament sitting into August because of the need to give prolonged debate to the Scotland Bill, a measure Ministers feel they must get on to the Statute Book before the next election.

Rodgers to discuss future of London's Upper Docks today

BY PAUL TAYLOR

MR. WILLIAM RODGERS, Transport Secretary, will meet a delegation from the Port of London Authority and the dock unions this morning to consider the future of the Upper Docks.

Mr. Rodgers has before him a joint document submitted by management and the eight unions detailing areas of agreement which have emerged from weeks of discussions on the financial plight of the docks.

He has not, however, had time to study an independent audit prepared by accountants Price Waterhouse, at the request of his department, on the accounts supplied by the authority to justify its closure plans.

The joint document lists areas of agreement between the authority and the unions, but these areas remain fairly limited and fall far short of Mr. Rodgers' original request for a plan to ensure the financial viability of the docks by 1982.

The main area of disagreement

between the two sides remains the question of closures. The authority still considers that one of the two dock complexes must be closed this year if future viability is to be a realistic aim.

More weight is added to the argument that a final solution must be found for the Upper Docks by the customers who, after years of uncertainty and labour problems, are already expressing interest in transferring to Tilbury.

Mr. Rodgers is expected to discuss the joint document with the delegation at today's meeting, but it is unlikely that he will publicly commit himself to a particular course.

He has already made it clear that before discussions with other Ministers, probably in the Cabinet's economic and industrial committee, he will wish to see the authority's own preferred scheme for the docks.

Any comments made by Mr. Rodgers at the meeting will be discussed at an authority board meeting.

Mergers policy 'hinders industry'

By Kenneth Gooding, Industrial Correspondent

BRITAIN'S competition policies sometimes stand in the way of attempts to make manufacturing industry more effective, says a paper to be presented at the National Economic Development Council meeting on Wednesday.

The National Economic Development Office's industrial strategy programme has often pointed to areas where industries need some restructuring or where there could be co-operation between competing companies, in overseas marketing for example, it adds.

The paper, to be presented by Mr. Geoffrey Chandler the new director-general, at his first full Council meeting, says that the Monopolies and Mergers Commission and the legislation covering cartel arrangements sometimes stand in the way.

There has been some dismay at NEDO that the recent Government Green Paper seemed to indicate that a tougher line would be taken in future over proposed mergers.

Cartels claim

It is understood that the NEDO paper, based on work for the Office by Mr. Alan Hughes, a Cambridge economist, suggests that the evidence the Green Paper relies on is not sufficient to justify a more aggressive approach.

On "restricted agreements" or cartel arrangements, NEDO says that these can operate in the public interest. Yet companies are put off by the judicial process and they must face before completing such arrangements.

There is a strong case for exempting small and medium-sized companies from the competition legislation, NEDO believes.

The Government, it says, should certainly produce much smaller guidelines about how far smaller companies might go without running foul of the competition procedures.

Committee urged to study 'unions for senior staff'

BY ALAN PIKE, LABOUR CORRESPONDENT

THE COMMITTEE of inquiry into the engineering profession is being urged to include the complex problem of trade union membership for senior staff in its report.

Controversy over attempts by the Confederation of Shipbuilding and Engineering Unions and the Engineering Employers' Federation to restrict recognition to established unions has been intensified by Friday's High Court decision in which an Advisory Conciliation and Arbitration Service report supporting this view was declared void.

The call for the committee to include trade union organisation in its inquiries comes in evidence published yesterday by the Engineers and Managers Association, a TUC-affiliated union fighting for recognition on behalf of senior staff in the engineering, shipbuilding and related industries.

In its evidence, the association recalls that two years ago the Council for Engineering Institutions recommended professional engineers to join appropriate unions which had primarily professional membership.

It was, says the association, relevant to draw the committee of inquiry's attention to the way these recommendations were being resisted and opposed in practice.

Frustrated

"The effect of present attitudes in the engineering industry is to confine professional and managerial staffs to joining unions in which they will necessarily be a minority, thus fragmenting minorities, or else to ensure that they will simply be unrepresented."

The attempt to frustrate the clear desire of many of these staffs—we believe the great majority—from supporting or forming a union specifically con-

cerned to represent them in their own right, we believe, damages the prospects of the engineering profession and to British industry."

On Friday, the High Court declared void an ACAS report which failed to recommend recognition for the non-TUC-affiliated United Kingdom Association of Professional Engineers at the Bedford works of APE-Allen.

A survey showed strong support for the association among staffs whom it wished to represent, but ACAS decided against making a recommendation after taking account of the likely effect of recognition on industrial relations.

The United Kingdom Association of Professional Engineers has about a dozen other recognition references pending with ACAS and the Engineers and Managers Association a further 18.

Many of these raise similar principles to the APE-Allen case. The ACAS council must, as well as reconsidering its position on the report declared void by the High Court, decide how it is to proceed with these. The council will also consider whether to appeal.

Leaders of the engineers' association will also be discussing the extent to which the High Court decision may affect another recognition reference to ACAS, this time involving engineers in the water industry which they lost recently.

The engineers' association again envisaged a union with substantial support in the area in which it wished to organise but failed to win a recognition recommendation in the face of hostility from the National and Local Government Officers Association.

On a wider plane, the latest development will increase discussion about the effectiveness of the Employment Protection Act recognition procedures. The federation believes that ACAS should be repealed, leaving majority from supporting or forming a union specifically con-

Optical cable deal won by GEC

BY MAX WILKINSON

GEC HAS won what it claims to be the first competitive contract for an optical cable system.

It will transmit telephone calls by means of light pulses down a bundle of hair-thin glass fibres. GEC is to supply seven kilometres of such cable in London Transport to be installed alongside the District Line between Epsom Court and Acton stations.

The contract awarded to Telephone Cables Limited (TCL), a GEC subsidiary, is for four optical fibres together with all necessary terminal equipment. They will carry 120 simultaneous speech channels by means of pulses of light transmitted at the rate of 800 per second.

GEC is proud of the fact that it has developed its glass fibre to a high degree of purity independently of any other optical fibre research elsewhere in the world. It believes its cables have lower loss than those of its competitors, including Standard Telephone and

Cables (ITT's British subsidiary) have been concentrating on use in optical fibres for trunk telephone routes, where a highly concentrated laser light source is used.

However GEC has put a lot of research effort into the use of low-powered but cheaper and reliable light emitting diodes as the source. GEC foresees an extensive market for optical fibre systems where distances are short.

One of the advantages of optical cable is that it is immune from electrical interference from other wires in the same duct.

Optical fibres also have a much higher capacity than conventional telephone conductors, and require fewer repeaters to boost signals along the line.

For example, GEC's line being installed for London Transport, does not need any repeaters along its 7km. A comparable link using copper, would need a repeater to amplify signals every 2.5 kilometres.

Building societies reject bank criticism

By Our Industrial Staff

BUILDING SOCIETIES have been successful because they provide the service people want rather than because of any unfair tax advantages, the Building Societies Association claims today.

Returning to the heated debate it has been having with the clearing banks, the association combines a rejection of the criticism about the growth of its branch office system with a note of subtle dis at the clearers about Saturday opening.

"In order to be successful, building societies have had to open branch offices in places where people will use the bank and where these offices open at hours which are convenient to the public," it says.

An article in Building Society Affairs, published by the association today also says that the main beneficiary of the competitive rate system about which the clearers have complained, is the inland Revenue "which is relieved of the necessity to assess, separately, the tax liability of some 20m building society investment accounts."

On interest rates, the association suggests the main reason building societies are able to offer a very competitive rate to investors is that they operate in a very specialised line of business.

The article also implies that the clearing banks have nothing to complain about, in any case, because it is mainly the National Savings movement which has suffered as the societies built up their share of the short-term savings market.

June proved to be another bad month for the building societies and net receipts probably fell below £140m compared with the £150m lending target. The increase in the investment rate at the week-end, from 5.5 to 6.7 per cent, is expected to stop the decline.

Tea prices cut by Sainsbury's

SAINSBURY'S is to cut the price of tea in its supermarkets from 19p to 17p a quarter (down from 18p) and 37p for a half pound (down from 38p). Quarter pound Brown Label is down to 17p (from 18p).

Amoco Cadiz board to consider report

THE LIBERIAN Government board of inquiry into the Amoco Cadiz disaster meets today behind closed doors to consider the evidence at the 21-day hearing which ended in London on Saturday writes Paul Taylor.

The board, chaired by Sir Gordon Wilmer, a former High Court Admiralty judge, is expected to produce a three-part interim report in the autumn.

It will cover reasons for steering gear failure on March 16 which left the Amoco Cadiz drifting toward the Breton coast; the dispute over alleged delay by Capt. Pasquale Bardani, her captain, in sending an emergency call for help; and the final phase, the Bussiger salvage tug Pacific failed to prevent her grounding.

On Saturday Sir Gordon made clear that Capt. Bardani was the only member of the Amoco Cadiz crew who was to be disciplined. The board was considering disciplin-

ary action against Capt. Bardani because of failure by him to call for assistance earlier.

The board, which reports to the Liberian Commissioner for Maritime Affairs, has power to recommend that Capt. Bardani lose his licence.

In summing-up speeches Dr. Francis Williams, counsel for the Liberian Government, told the board that Capt. Bardani should not be made a scapegoat but judged only on any "unreasonable or inexcusable errors he made."

Mr. Alastair Stewart-Richardson, for Capt. Bardani, said he should not be criticised because he "behaved very sensibly."

Mr. Sidney Kentridge, for Capt. Hartmut Weinert, master of the tug, said he and his crew had done their best. To criticise him for his own crew would have serious and undesirable consequences on the salvage industry.

Regional living standards continue to even out

BY DAVID FREUD

REGIONAL differences in living standards continued to narrow through the middle of the decade, according to figures released today.

Economic Trends, official publication of the Central Statistical Office, says that whereas in 1974 the richest region was 50.9 per cent better-off in terms of personal disposable income than the poorest, the gap had narrowed to 39.1 per cent by 1978.

The general trend was for the richer regions to have a relative decline, while the poorer ones did relatively better.

The redistributive effects of personal taxes and of benefits have resulted in some narrowing of the regional differences of

disposable income per head in recent years, reinforcing movements in incomes before tax which have also tended to favour the poorer regions.

The two poorest regions in 1974 in terms of disposable income, Northern Ireland and Wales, had increased well above the national average.

The two received a relatively high proportion of personal incomes in the form of State benefits.

The South-East region, the richest, saw a relative decline in disposable income over the period, though it still received about 10 per cent more personal income after tax per head than the UK as a whole.

Plessey jobs plea by MP

QUESTIONS ARE to be asked at Westminster this week about the fact that Plessey is to axe another 900 jobs at its telecommunications group headquarters plant in Edge Lane, Liverpool.

Management and unions at the plant are to meet on Wednesday.

Mr. Edward Lynden, Labour MP for Liverpool Garston and

secretary of the Labour group of 18 Merseyside MPs, said yesterday that he would table the questions because of the serious concern in the area. He wrote at the weekend to Mr. Eric Varley, Industry Secretary, and Mr. Albert Booth, Employment Secretary, seeking clarification.

About 4,500 people are now employed at Edge Lane.

Simplify health service administration—staff

BY DAVID CHURCHILL

NATIONAL HEALTH SERVICE administration should be substantially simplified, the Royal Commission reviewing the service has been told in a report from a specially-commissioned survey of people working in the service.

The 232-page report recommends that health authorities should "remove levels of administration, many of which are known to fail to contribute towards efficient working."

In addition, it calls for greater delegation of authority and streamlined decision-making.

Its conclusions come in the week the health service celebrates the 30th anniversary of its setting-up on July 5, 1948.

The celebrations, however, have been marred by industrial disputes within a number of hospitals recently as well as an unenthusiastic response by the medical profession to agreeing a declaration of faith in the service.

This declaration had been sought by David Ennals, Health Secretary, but has been snubbed by the British Medical Association, which is likely to be joined by the various royal

colleges.

Mr. Ennals is unwell and is likely to have to miss Wednesday's celebrations; he was re-admitted to Westminster Hospital, London, at the weekend for further treatment of a thrombosis of the leg, and is expected to remain in hospital for about a week.

The Royal Commission, chaired by Sir Alec Morrison, is due to publish its report on the future of the health service early next year. It commissioned its own independent report by a team from Brunel University to put in perspective some of the 3,000 submissions it has received.

The Brunel survey, based on interviews of those working in the health service and depth case studies, found "a great deal of waste and duplication in what many regard as a seriously over-elaborate system of government, administration and decision-making."

The survey's main conclusion was of a top-heavy and over-elaborate management system. There are too many levels of administration and too much duplication of functions at the different levels.

Consumer boom likely to be short-lived

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE CONSUMER boom is likely to be short-lived with a slowdown in the rate of growth of output next year. But there will be an acceleration in inflation and a deterioration in the current account next year.

These are the main conclusions of the latest forecasts in the London Business School's Economic Outlook, published today.

The school argues that a rise in consumption has already preempted the main benefits of North Sea oil. Although the current account is expected to be in a surplus by nearly £650m this year, this will be followed by a deficit of just over £50m in 1979 and approaching £150m in each of the two following years.

The rate of price inflation is expected to accelerate later this year, with the average increase in consumer prices rising from 8.8 per cent in 1978 to 12.7 per cent next year, principally reflecting the recent fall in the exchange rate.

The school suggests that the recent credit squeeze will allow the exchange rate to be held at about its current level until well into next year. But, unless policy is changed, the rate will decline by 4 per cent a year after that. This reflects the current tendency towards fiscal expansion which will result in faster monetary growth next year.

Public sector borrowing in 1978-79 should be just below the Government's ceiling of £5.5bn

in the current financial year. But borrowing will rise to about £10bn next year as a result of the rise in public spending and the likelihood that public sector pay settlements will be higher than officially forecast.

The forecasts assume that direct and indirect tax levels are adjusted each year in line with inflation and the continuation of existing public spending plans. The Economic Outlook was prepared before last week's decision to reduce the proposed rise in the employers' national insurance surcharge from 2½ to 1½ per cent.

The monetary guidelines should be met in the current financial year with the growth of the money supply likely to be just below the upper limit of 12 per cent though domestic credit expansion is expected slightly to exceed the £50bn limit.

However, money supply is expected to increase by about 13 per cent a year after that with higher domestic credit expansion as well.

The school notes that its view of the economy has changed compared with its previous analysis in February.

The rapid growth in the money supply earlier in the year—responsible for a lower exchange rate than forecast in February—is boosting demand currently. But the effect later in the year will be an acceleration of inflation which will coincide with the monetary squeeze. This will pro-

LONDON BUSINESS SCHOOL FORECASTS				
	1978	1979	1980	1981
Consumer Spending	4.6	2.5	2.3	1.5
Private fixed investment (excluding homes)	4.1	1.2	4.7	0.8
Public spending on goods and services	2.2	2.3	2.5	1.8
Exports	2.9	4.7	6.6	4.4
Imports	7.6	6.4	6.7	5.2
Gross Domestic Product at 1970 prices	2.4	1.8	2.8	1.6
at 1975 prices	3.0	2.5	3.2	2.0
Consumer prices	8.8	11.7	10.2	11.4
Money supply (M3)	15.5	12.2	14.0	12.1
Current Account (£m)	648	-52	-896	-984

duce a much slower growth of output in the first half of next year.

Growth this year will be higher than expected in February but taken together will be rather lower.

In a special article in the Economic Outlook Dr. Alan Budd and Mr. Terry Burns of the school's centre for economic forecasting examine recent policy and point out that there is now a two-year cycle of monetary stop-go.

They maintain that the money supply is being expanded rapidly in periods of low inflation and then squeezed severely when inevitable inflationary effects are felt. The whole process, from stop to start and back takes two years.

In the latest cycle the money supply was over-expanded in the last half of the financial year 1977-78 and tight money can be expected to bite on rising inflation in 1979.

The article suggests that the Government is introducing a dangerous degree of instability into its policy and calls for a clear fiscal strategy within a consistent monetary framework.

This must recognise that "an improvement in the inflation rate and the current account is not the signal for a renewed expansion but will merely add a further push to policy. Expansion can and will take place automatically as the inflation rate slows down and interest rates fall, and attempts to control the exchange rate by intervention can have massive destabilising effects."

Fiscal restraint need not

cause, and has not caused, the dire effects on output and employment that have been predicted, while being the essential condition for a balanced anti-inflationary plan.

In another special article Prof. Jim Ball, principal of the school, surveys the forecasting performance of his own organisation, and of the Treasury and the National Institute. He maintains that, apart from 1975 when forecasts throughout the world failed to predict the extent of recession, forecasting performance has been credible and there is not much to choose between the separate teams.

On an annual basis, the growth of Gross Domestic Product (excluding 1975), has been forecast within 1 per cent on average and the growth of consumption has been forecast within 1 per cent.

World industrial production is expected to grow at below its trend rate both this year and next, but there will be the usual cyclical upturn in the second half of 1979 so that 1980 and 1981 will be years of above average growth.

World output is projected to grow by 3.1 per cent in real terms this year followed by a 3.5 per cent rise in 1979, following expansion of 4 per cent last year.

Economic Outlook, annual subscription £35. Granger Press, 1, Westmead, Farnborough, Hampshire, GU14 7RU.

Gilts auction urged

AN AUCTION for selling gilt-edged stocks is proposed by stockbrokers Savory Mills to enable the Government to fund its borrowing requirements.

In their latest monetary commentary, the brokers argue that the Government cannot rely solely on reintroduction of control over the banks to supply money supply firmly under control. Other moves are necessary, including better handling of the gilt-edged market.

The recent financial measures indicate the Government's determination to maintain control of the financial situation through to the autumn, Dr. David Lomax, economic adviser to National Westminster Bank, says today.

In the latest assessment of the UK economic outlook, Dr. Lomax sees the main threat to the package as being a rapid rise in U.S. interest rates, putting further pressure on UK rates.

The small company, at present the subject of extensive interest by the Wilson Committee and the City institutions, requires further detailed statistical study, Mr. Peter Thomson, of Durham University, writes in today's issue of Lloyds Bank Review.

Church thefts on increase

THEFTS FROM churches have reached unprecedented levels in number and cost, Mr. Allan Grand, chairman of the Ecclesiastical Insurance Office, says in his statement accompanying the latest report and accounts.

The problem was a new one for church officials and, he feared, a permanent one. All those responsible for church property should review precautions against theft as a matter of priority.

The company is the leading insurer of Anglican church buildings and property in the UK.

Mr. Grant warned against paying for advice from private security companies. At best, they could provide no more than the police. At worse, they could prove an expensive luxury.

Civil servants seek London pay rises

BY NICK GARNETT, LABOUR STAFF

PUBLIC SECTOR unions are preparing claims for big increases in wage supplements to London staff because of the latest cost-of-living figures.

Civil Service unions said yesterday that an initial examination of the figures indicated that claims of slightly over £200 for staff in inner London and about £100 for workers in the outer suburbs would be justified.

Teachers' unions have already submitted an extra weighting claim for London staff which is due to go to arbitration this month.

The National and Local Government Officers' Association will probably submit its claim in September, once the teachers' settlement is known. It already has a claim on the table, but will update it in line with new figures.

Public sector pay is likely to have repercussions on London pay weighting in private industry.

Increases in London weighting have been sought since the middle of 1976.

The Civil Service unions have said that they will seek rises on these allowances, which stand at £405 for inner London and £175 in outer areas, outside the framework of national pay negotiations. A very large proportion of civil servants would be affected.

Laycock staff win 12½% increase

By Our Labour Staff

TECHNICAL STAFF at Laycock Engineering, a subsidiary of GRN, have been awarded a 12½ per cent pay rise backdated to January, by the Central Arbitration Committee.

The claim, for 23 per cent, was submitted by TASS—the white-collar section of the engineering union—under Schedule II of the Employment Protection Act.

The union said yesterday that the award would bring the salaries of its members in Laycock up to the general level of comparable staff within the Sheffield area.

BBC programmes hit

BY OUR LABOUR STAFF

THE BBC's television transmission for allegedly broadening mission of the John Player sanctions.

League cricket match between Derbyshire and Glamorgan was disrupted yesterday by the national overtime ban started at the weekend by the Post Office Engineering Union. The programme was carried with no commentary.

The ban, which has been operated in Scotland for more than a week, prevented transmission of BBC Radio 4's Any Questions? on Friday night.

An outside broadcast of the programme from Aviemore was moved, because of uncertainty over transmission times.

Members of the Association of Broadcasting Staffs in Edinburgh in sympathy with the Post Office engineers, would not co-operate with the transmission.

The union has been in a nine-month dispute with management over a claim for a 35-hour week and has been refusing to commission new exchanges. The dispute has worsened since management began sending engineers

Fleet St. pay offer rejected

THE INSTITUTE of Journalists has decided to follow the National Union of Journalists in giving six months' notice to the Newspaper Publishers' Association of termination of the national agreement between the two bodies.

Meeting in London on Saturday the institute's salaries and conditions board decided overwhelmingly to reject the NPA offer of a new minimum salary of £4,750 a year.

The NUJ had earlier rejected the offer, saying it did not realistically reflect salaries paid to Fleet Street journalists.

G.W.B. (INSURANCE BROKERS) LIMITED

announce that Mr. John R. Manning joined the company as Director/General Manager with effect from 1st July 1978 and that Mr. Michael A. Sampson also joined the company as a Director as of the same date.

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

MACHINE TOOLS

Readout breaks the cost barrier

COMPLETE kit to fit milling machines of the Bridgeport Series 1 type with high accuracy digital read-out systems has been brought below the £1,000 level by Ferranti, which says that the increase in productivity and accuracy obtainable quickly pay for the capital cost of the equipment.

Acculin units offered have two-axis digital counter/display units, two linear measuring transducer units and all the necessary mountings to fit to the machine slideways, as well as the electrical connectors needed.

The digital display shows slide displacements relative to a pre-

set datum along the X and Y axes, in 0.01 mm units preceded by a + or - sign to indicate direction.

Metric/inch displays can be provided as optional and the alternative then becomes a unit of 0.0005 in.

The choice of the Bridgeport knee-type machine was dictated by the fact that it is probably the most widely used throughout Europe.

Further details of the retrofit equipment from Ferranti Industrial Products Department, Thornycroft Trading Estate, Dalkeith, Midlothian, EH22 2NG.

Accurate work on tools

SPARK EROSION is the only method of making press tools and dies if consistent finish and accuracy are demanded, according to Spine Gauges of Tamworth, which has just installed the latest Chazmilles wire machine.

This F40 model is controlled by computer-produced tape and does not require electrodes. It is particularly suitable for intricate two-dimensional work of the highest precision.

Spine Gauges' own associate, Engineering Computer Services, makes the driver tapes off-line and the company can thus keep the F40 virtually in continuous use.

Spine Gauges says Engineering Computer Services could provide valuable assistance to companies who would like to use a machine of the advanced specification of the F40, but hesitate to introduce it because of the lack of skilled staff.

Spine is on Tamworth 872 771; Chazmilles on Gloucester (04522) 4832.

POLLUTION

Cuts jet test noise

THREE UK firms lead by Industrial Acoustics Company of Staines, which have just been given the £1m job of building a silenced test facility for the engines of the Tornado, believe that the technique they have developed will have wider application in civil aircraft engine testing and possibly in other static engine test applications as well.

Main contractor for the NATO order, Industrial Acoustics Company is responsible for the test house itself with demountable acoustic enclosure plus intake and exhaust silencers. John Curran of Cardiff has designed the overhead engine test bed with pre-rigged engine "wheel-in" facilities and Marconi Avionics of Rochester is supplying the computerised control equipment.

The noise control system accepts the total jet efflux of the Turbo-Union RB199 turbofan in reheat condition, and attenuates the noise to 65 dBA at 200 metres.

Apart from the very significant noise reduction, the system simplifies and speeds up

the whole process of engine testing since the complete sequence can be programmed into the computer for any kind of engine.

Engine data from 150 sources is continuously processed producing printed results as required and warning the operator if an engine is faulty, allowing him to take rapid action to prevent damage.

Furthermore, testing time is reduced, saving fuel and cutting engine ground running time to a minimum so that more engine life is left for flight purposes.

There are at the moment about 150 Tornado multi-role combat aircraft in production and as they begin to come into service the company expects further orders from a number of European air forces.

Other prospects are on the horizon for applications in gas pumping in the North Sea, modern naval engine testing and oil pipeline pumping.

But in aero engine testing and maintenance IAC estimates that over £30m is spent annually — some 10 per cent of the total aerospace business — so that pressure for more efficient and quieter test facilities will increase as time goes on.

More on Staines 96251.

HANDLING

New pumps for old

WITH THE aim of cutting the cost of putting electronically controlled blending pumps on to filling station forecourts, Alan Pond Equipment of Harlow has introduced a scheme for the exchange of existing Ljungman pump-based units with reconditioned pump bases that have an electronic control upper section.

First contracts are with BP, whose dealers should save 25 per cent on the cost of a comparable new electronic pump costing about £2,500.

For the past two years BP Oil has been gradually removing mechanical blenders from 770 company-owned sites and has been replacing them with new and remodelled equipment.

About 10 per cent of these sites are at the moment scheduled to receive Alan Pond rejuvenated pumps.

Main advantages offered by the unit, which has been named Lulu 7, are accurate metering (0.05 per cent is claimed), the ability to make a price change in about 20 seconds instead of 20 minutes on the mechanical models.

Lulu 7 has all its electronics and display panels in a simple cantilevered display box just above eye level, fixed to the side of a central column which supports the fuel supply boom. The logic circuits are in a completely sealed box with which it is virtually impossible to tamper.

Three grades can be blended and dispensed and operation consists of little more than pressing one of three grade buttons and the nozzle gun.

Re-programming of the pump is particularly easy. To change the price, a key operated switch increments the display (at an adjustable speed); the display is brought to a halt by the same control and after pressing the grade button, the pump will from then on dispense fuel at that price.

The display has the normal three items: transaction value, volume dispensed and the price per gallon. Characters are in incandescent gas discharge technology and the volume display has a fifth digit showing thousands of a gallon.

The last transaction is always stored and the elapsed part of it can be retrieved in the event of a power failure, using battery back-up.

Alan Pond Equipment hopes to extend business beyond its own sites (the group owns about 100, with some 400 pumps) and those of BP.

There are about 10,000 blending pump units of all brands in use in the U.K. and the company believes that the £600 or so that can be saved as an alternative to acquiring new electronic pumps will prove to be particularly attractive.

More on Harlow 34741.

GEORGE CHARLISH

Packs more in containers

ALTHOUGH palletisation of loads simplifies handling, it reduces the amount of cargo that can be put into a container.

Anglia Handling Services, Biggleswade, Bedfordshire, has come up with an answer to the problem. It has developed a 24 cwt SWL low headroom, double beam, underlashing, hand-pushed crane which can be incorporated in the container, either when the container is being built or later.

The main crane members including the beams, crab unit and gantry rails, are manufactured from tubular steel door track. An adapted hand chain block has been built into the crab unit, and the gantry rails are designed to be fixed directly through the container's sides.

A prototype has already been

successfully installed and tested in a 36 ft 6 in long ISO container having gpr sides and an up and over door. To enable customers to install the cranes with the minimum of disruption ASHS is preparing to manufacture and supply them in kit form. The company will also supply purpose designed spreader beams and heavier versions of the crane to meet particular customers' specific requirements.

In addition to increasing the number of individual loads which can be put into a container, the crane also reduces the driver's dependence on fork lift trucks, and during loading and unloading.

Anglia Handling, Boddington Industrial Estate, Drive Road, Biggleswade, Beds, Biggleswade 312125.

INSTRUMENTS

Waves for most purposes

AN INSTRUMENT with applications in many industries, the PSI 3151 two-phase function generator offers waveforms over an enormous range; from one cycle in three hours to 50,000 cycles per second.

Users to set the phase between functions more accurately than with any other similar instrument over the range 0.0005Hz to 50kHz.

Digitally synthesised waveforms of sine, square or triangle, may be held at any point during the cycle, and then continued at will.

Prosper Scientific Instruments, Lady Lane, Hailsham, Suffolk, IP7 6DQ, 047 338 3005.

MATERIALS

Growing big crystals

USING the Melbourne crystal pullers designed and manufactured in its own factory, Metal Research has succeeded in growing exceptionally large ingots of semi-conductor material. Gallium arsenide ingots up to three kilos, of high purity and the desired crystal orientation are being produced for use in microwave devices.

Indium phosphide ingots up to two kilos are being made.

These latest developments allow Metal Research to be highly competitive with the major U.S. manufacturers of both semi-conductor materials and the production equipment to make ingots.

Derived directly from its development of advanced equipment for the production of high-purity metal and semi-conductor single crystals, Metal Research

has produced a wide range of pressure crystal growth equipment. Included in the latter are the Melbourne range of crystal pullers which utilise the liquid encapsulated Czochralski technique for the production of gallium phosphide. Indium arsenide crystals are similarly produced.

This important advance in semi-conductor technology has enabled Metal Research to make considerable inroads into U.S. and European and Far Eastern markets traditionally dominated by U.S. manufacturers. Sales for this equipment over the past six months are approaching £300,000.

Metal Research, 127 Horsbarn Road, Walton on Thames, Surrey, Walton 40323.

Toxic products analysis

THE consultancy laboratories of British Oxygen (Special Gases) and Stanton (Special Gases) and Stanton are specialists in the field of thermal analysis and flame analysis, equipped for the decomposition of materials by combustion or heating in various atmospheres, which BOC

analytical services can call on considerable instrumentation to determine percentages of constituents, or levels right down to parts per million.

More from Mr. A. M. Phillips on 01-542 8677.

COMMUNICATIONS

Teleprinters approved

PERHAPS not unexpectedly, it has been announced by the Creed division of IRT Business Systems that the UK designed and developed model 2300 electronic teleprinter has been accepted by the Post Office for use on the Telex service in the UK.

It is understood that, so far as the introduction of new machines of this kind to the Telex network is concerned, the 2300 is for the time being at any rate in an exclusive position. The development has been a private venture by the company.

The acceptance should help the Brighton company with its exports: the market is considerable, installations in the UK alone having increased by 10.8 per cent to 71,586 at year end, March. The world market for Telex equipment is estimated by the company to be worth £180m a year.

The 2300 is designed to work on all Telex systems, anywhere in the world and the electronic design offers increased reliability and reduced maintenance.

Substantial orders from overseas have already been received by the company from the UK Post Office and are expected to follow soon. More on 0273 507111.

SERVICES

Design of structures

SEAS, which is a program and remote-job entry service, is employed to design, analyse and certify oil and gas drilling structures in many offshore producing areas, is available in the UK.

Ambercrest Engineering, autonomous British subsidiary of Petro-Marine Engineering, of New Orleans, which designed it, has introduced the system as part of the consultancy service which it has provided to the UK offshore oil industry since 1976.

Operating the system for Ambercrest as a time-sharing

ELECTRONICS

Spotlight on biggest companies

FACETS OF the European electronics industry not so far exposed, are highlighted in the Mackintosh Companies Yearbook 1978. This identifies the 50 largest groups manufacturing electronic products in Europe and examines their product sales and financial performance over the last five or ten years.

The importance of the companies can be gauged by their total electronic turnover, which approaches \$50bn. This compares with current estimates at total worldwide electronics production, put anywhere between \$100-\$150bn, indicating that the companies account for a sizeable proportion of world output.

This Yearbook has managed to isolate the specifically electronics activities of many of the highly diversified multi-national corporations, including details of their important subsidiaries and affiliates, which often play a prominent role in the industry in many European countries.

An extensive appendix relates some 2,000 subsidiary companies to their parent organisations.

Altogether 13 American companies, 11 British, seven German and six French companies are large enough to be included in the analysis, which covers major manufacturers of military and professional electronics equipment, consumer goods, computers and electronic office equipment, active, passive and audio components.

Mackintosh Publications, Mackintosh House, Napier Road, Luton, England LU1 1RG. Tel: 0582 417435.

TEXTILES

Test yarn machines

ONE OF the biggest developments in spinning of textile yarns was the introduction about 10 years ago of the rotor spinning machine which is also described as open-end although a number of other open-end systems exist.

For the manufacturer making this type of yarn there has been something of a problem in sampling yarns and in making small experimental lots. Now a small-scale rotor spinning machine with four positions has been constructed in the Postgraduate School of Textiles, University of Bradford (Bradford BD7 1DP, West Yorks. Tel: 0274 35466) by Dr. Eric Dyson.

This uses the Czechoslovak BD 300 units and it allows a wide number of yarns to be applied. It will take slivers from 3200 to 4000 tex and deliver a full package of yarn up to 1.5 kg.

The machine can produce yarn at up to 65 metres per minute and the rotor speeds can be varied in steps of 2,000 from 24,000 to 40,000 rpm. The opening roller, which separates the individual fibres, can be varied in steps of 1,000 from 4,000 to 10,000 rpm and it is possible to vary the draft from as little as 38 up to a maximum of 238. The machine has initially been built with four heads but it can be constructed with any number from only one to a maximum of 10.

LICENCES HAVE been granted by the UK Dnyair company, maker of many types of fan drive, and Kysor Industrial Corporation of Cadillac, Michigan, under which the U.S. company will make and market fan drives of British design for the commercial vehicle market of the U.S., Canada and Mexico.

Kysor-Cadillac based the decision to link up with Dnyair on the reliability of the Dnyair fan drives over millions of miles of fleet operation.

In the U.S. Kysor will offer a 250,000 miles warranty on the product. For the first 100,000 miles, or first year, Kysor will cover the complete unit, labour and parts; for the next 150,000 miles, or second year, Kysor will cover replacement parts — a much more liberal warranty than is currently available on any other fan clutch in the market place.

Dnyair is in Nailsworth 2361.

CONTRACTS AND TENDERS

REPUBLIC OF THE PHILIPPINES NATIONAL POWER CORPORATION MANILA

INVITATION FOR TENDERS

SEALED TENDERS in triplicate, plainly marked TENDER FOR (indicate appropriate Lot and/or Schedule/s covered by Tender to be submitted):

LOT II— MANUFACTURING, SUPPLY, INSTALLATION AND TESTING OF MECHANICAL EQUIPMENT consisting of turbines and governors, spherical valves, drainage and cooling system, flap gates, compressed air system, oil purification system, emergency generator, workshop tools and equipment, and water treatment system.

LOT V— MANUFACTURING, SUPPLY, INSTALLATION AND TESTING OF ELECTRICAL EQUIPMENT consisting of:

Schedule I: Generators and 13.8 KV Generator Accessory Equipment.

Schedule II: 13.8 KV/0.48 KV Station Service Substation in the Cavern, Low Voltage A.C. Distribution System in the Cavern, D.C. Equipment in the Cavern, 4.16 KV Feeder from the Cavern to the Dam and Spillway, Unit Control Panels, Instrumentation Control, Low Voltage A.C. and D.C. System in the Service Building, and Transformer Workshop Equipment.

Schedule III: Grounding System in the Cavern and Cable Shaft, Illumination in the Cavern, A.C. Electric Installation in the Motor Pool Building, A.C. Electric Installation in the Access-Shaft Building, A.C. Electric Installation in the Dam and Intake Zones, Communication System, Clock System, Cable Ducts and Cable Shaft, and Outdoor Lighting System for the Surface Structures.

Schedule IV: Step-up Power Transformer.

Schedule V: 138 KV Switchyard.

Schedule VI: 138 KV Transmission Line.

For the FOURTH MINDANAO POWER PROJECT (AGUS IV), MINDANAO, PHILIPPINES, will be received at the Office of the National Power Corporation, 161 Bonifacio Drive, Port Area, Manila, until 10.00 a.m. on September 14, 1978, and then publicly opened.

Lot II shall be tendered as a lot. For Lot V, a tenderer may tender on one or more schedules. Separate award of contract will be made for Lot II and for each schedule in Lot V.

Tender Documents, including Confidential Statement for Determining Tenderer's Responsibility form are available for issue at the office of the National Power Corporation. Prospective tenderers will be issued tender documents by Lot upon application and payment of Six Hundred Pesos (P600.00) per set which will not be refunded.

For the information and guidance of those concerned, the National Power Corporation has entered into an agreement with the Asian Development Bank for a loan in various currencies toward the cost of the Fourth Mindanao Power Project. It is intended that a portion of the proceeds of this loan will be applied to payments of foreign currency cost under the contract/s for which this invitation for bids is issued. Requirement under such contract/s is, however, limited to procurement in member countries of the Asian Development Bank and Luxembourg of goods and services in such member countries. Payments by the Asian Development Bank will be made only upon approval of the Asian Development Bank of an application presented by the National Power Corporation in accordance with the terms and conditions of the Loan Agreement and will be subject in all respects to the terms and conditions of that Agreement.

Tenders must be accompanied by a proposal bond in the form of cash or certified cheque or certificate of fixed deposits issued by a reputable banking institution or an accepted bank draft against any local bank issued by a duly licensed and authorised domestic bonding company in favour of the National Power Corporation or an appropriate guarantee by a foreign banking institution, acceptable to the National Power Corporation, in the currency of the tenderer's country or in Philippine pesos, in an amount equal to two per cent (2%) of the Total Tender Price of each Lot or each schedule/s.

Tenders must also be accompanied by triplicate copies of the Tenderer's Confidential Statement in the forms furnished, duly accomplished and complete with all supporting documents required.

Tenderers are requested to be present at the time and date above stated, when the tenders will be opened.

The right is reserved, as the interest of the Corporation may require, to reject any or all tenders, to waive any minor informality in the tender received, and to accept such tender which is the lowest and/or most advantageous to the National Power Corporation. Additional information may be furnished upon request.

Address all communications to "The President, National Power Corporation, P.O. Box 2123, Anda Circle, Port Area, Manila, Philippines."

J. U. JOVELLANOS, Sr. Vice-President, Engineering.

Arab International Bank Cairo, Egypt.

Invitation for Pre-qualification for General Contractors.

The A.I.B. Center is an Egyptian Public Law 43 Project created by Arab International Bank. The Project is located near the center of Cairo and consists of one 750-room hotel, one 30-story office building and two 32-story apartment buildings all interconnected by a 5-story mixed use building. The gross area is approximately 245,000 square meters of reinforced concrete construction.

The contractors who are qualified will be expected to submit a firm price tender for the structural elements, and general conditions for the entire project and submit a percentage fee for the acceptance of assignment by the owner of subcontractors for the entire project. Site excavation work and the installation of piling has commenced. Structural drawings and specifications are complete. The remainder of the construction documents will be completed by mid 1978.

Prospective general contractors are requested to submit to the following:

1. Certified year-end financial statement and a current applicable balance sheet.
2. A synopsis of personnel of the association including curriculum vitae of the top officers.
3. Names, titles, experience in construction in general and experience in the Middle East of senior staff who are currently in your employ and who will be assigned to the project.
4. Number and titles of senior staff people who will be obtained from other sources and the sources thereof.
5. Company experience in the Middle East, if any, including specifically the number, type

and size of successfully completed projects and year completed.

6. Number of high rise buildings completed worldwide together with a brief description of at least four major buildings.

7. Number and description of projects of comparable size successfully completed and year completed.

8. List of clients for whom previous projects of similar size have been successfully completed with the name and title of representatives who can be contacted as references.

9. History of bonding relations on similar sized projects for the past 5-7 years.

10. Sources of construction materials and the number and types of equipment for the concrete structure.

Pre-qualification tenders will be received no later than July 18, 1978 by:

Arab International Bank
54 Mt. W.B. Luster
50 Gomorria Street
Cairo, Egypt
Phone: 935744
Telex: 9-2079

Drawings may be reviewed at the following places:

Gerald D. Hines Interests
2100 Post Oak Tower
Houston, Texas 77056
U.S.A.
Phone: 713/821-9000
Telex: 910/881-5468
G.D. HINES HOU

Skidmore, Owings & Merrill
22 Hudson River Street
Dokki, Cairo, Egypt

CONTRACTS AND TENDERS
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FRANCIS PHILLIPS on 01-548 8900 Ext. 456

SCOTTISH DEVELOPMENT DEPARTMENT

LONDON-EDINBURGH-THURSO TRUNK ROAD 'A9' PITLOCHRY BYPASS PHASE 1

The Secretary of State for Scotland proposes to invite tenders from experienced contractors for the construction of the above section of trunk road, extending from a point north of Tynehead for a distance of approximately 8km to a point south of East Lodge Faskally.

The construction is of some 4kms of dual 7.5m carriageway and 4kms of single 7.5m carriageway in either flexible or rigid pavement. The scheme includes the excavation of approximately 750,000 cubic metres together with the importation of approximately 250,000 cubic metres of material. Also included is the construction of five bridges (five roads over river, one road over rail and two road over roadside road connections, drainage and other ancillary works. Approximate cost of the works is £3.5m.

Contractors wishing to be considered for inclusion in the list of firms to be invited to tender for the contract should apply to the Secretary, Scottish Development Department, NCR Building, 2 Roseburn Gardens, Edinburgh EH12 5NJ, not later than 28 July 1978, quoting reference SDP/8/5/L. Thereafter, invitations to tender will be extended to selected contractors and the necessary tender documents and drawings will be issued by Jameson Mackay and Partners, Consulting Engineers, 20 Royal Terrace, Glasgow G2 7NY.

The intention is that tendering should be restricted to firms of proven capacity and experience who at the time will be in a position to submit genuinely competitive tenders. Contractors who because of other commitments, for any other reason, do not apply to be considered for these works will not in any way prejudice their eligibility for consideration for future similar contracts.

This scheme has also been advertised through the medium of the Official Journal of the European Communities.

Intervention Board for Agricultural Produce
INVITATION TO TENDER

Tenders are invited for the immediate supply and delivery c.i.f. from any EEC port of 2,350 tonnes of bagged round grain, milled rice destined as United Kingdom national food aid to the Government of Guinea. Each new or good quality second-hand jute bag shall contain no more than 50 kg of rice and be marked in characters of no less than 5 cm centimetres in height "Food Aid Gift of Rice from the United Kingdom". The rice is to be loaded in one vessel and delivered without delay to the port of Bissau.

The allowance for the supply and transportation costs of the grain will be determined on examination of the Tenders.

Delivery terms embodied in a Notice of Invitation to Tender together with Tendering Forms may be obtained from Branch B, Internal Market Division, Intervention Board for Agricultural Produce, 2 West Mall, Reading (Tel: Reading 583628). Tenders must be submitted by 12 noon, Tuesday, 11th July, 1978, to:

HOME GROWN CEREALS AUTHORITY,
Hamlyn House, Highgate Hill, London N19 5PR.

INTERVENTION BOARD FOR AGRICULTURAL PRODUCE

INVITATION TO TENDER

Tenders are invited for the urgent supply and delivery c.i.f. from any EEC port of 10,000 tonnes of durum wheat to be supplied in bulk as United Kingdom National Food Aid to the Government of Tanzania.

The wheat is to be loaded into one vessel and delivered to the port of Dar-es-Salaam as soon as possible.

The allowance for the supply and transportation costs of the grain will be determined on examination of the tenders. Delivery terms embodied in a notice of invitation to tender together with tendering forms may be obtained from Branch B (Cereals), Internal Market Division, Intervention Board for Agricultural Produce, 2 West Mall, Reading (Tel: Reading 583628). Tenders must be submitted by 12 noon, Tuesday 11th July 1978 to:

HOME GROWN CEREALS AUTHORITY,
Hamlyn House, Highgate Hill, London N19 5PR.

CLASSIFIED ADVERTISEMENT RATES

	Per line	Single column
Commercial & Industrial	4.50	14.00
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Health & Beauty	4.50	14.00
Home & Garden	4.50	14.00
Insurance	4.50	14.00
Legal	4.50	14.00
Medical	4.50	14.00
Religion	4	

Transparent Paper Limited

Export sales at record levels

Extracts from Lord Kenyon's Statement:

Although the Group's earnings before Tax of £1,145,419 for the year to 31st April, 1978 show a decline from last year's record figure this cannot be regarded as an unsatisfactory result, bearing in mind the events of a year which brought more than a fair share of troubles and, in particular, manufacturing difficulties during the first six months, arising from defective wood pulp from a source which had hitherto proved consistent and reliable.

Record levels of sales and of exports were achieved, despite a recession of trade and pressures on prices in many parts of the world, and a dull market at home since June of last year. No really encouraging signs are yet evident of any substantial improvement, although export trade is becoming more active in certain countries, except Western Continental Europe where the market for packaging film remains depressed.

Continuing Capital Expansion

The prices of our raw materials have remained more stable than for some time past, with the exception of a massive increase of 29% in the price of North Sea Gas. This unexpected increase has caused the deferment of certain capital projects. Nevertheless capital expenditure has continued at a significant level, no less than £1.75 million being undertaken during the year, to make a total of £6.5 million from the Company's own resources in the last five years.

Technical Development

The programme of modernisation and re-equipment, designed to broaden the base of the Company's activities, is now virtually completed. The emphasis of future such expenditure will be on technical development, and plans for a new Research Laboratory block are well advanced.

At a time when we are told on all sides that the oil, from which plastic films are derived, will be exhausted, or at least scarce, well before the end of the century, it is worth remembering that cellulose film is manufactured from WOOD, a perpetually renewable natural resource, which is totally free from adverse influence upon our environment.

The Company believes itself to be well placed in its market as well as being equipped to take advantage of any improvement which may arise in the present stagnant economic climate.

Principal Activities.

The Company manufactures and converts transparent cellulose and plastic film. The products are used in particular as immediate wrappings by the confectionary, tobacco, biscuit, bakery and snack food trades, and for textiles and pharmaceuticals, together with many similar uses.

HEADLAM, SIMS & COGGINS LIMITED

Another Record Year

Summary of Results

Year ended 31st January	1978	1977	1976
Turnover	£3,917	£3,101	£2,415
Profit before tax	320	213	138
Profit after Tax	258	174	64
Earnings per share	12.78p	8.57p	3.37p
Ord. dividend per 5p share (gross equivalent)	1.86p	1.69p	1.56p

Highlights from the Statement by Mr. Alec Coggins (Chairman):

- ★ Group sales and pre-tax profits up 26% and 50% respectively.
- ★ Dividend maximum permitted.
- ★ Revaluation of buildings adds £150,000 to Group assets, which now total £1,149,000.
- ★ Manufacturing company has made an encouraging start to the current year, whilst SIMLAM's sales are running at same level as last year.

Addressing the meeting the Chairman confirmed that the company expected to make further gains this year and added—

It is proposed to raise additional permanent capital to finance future expansion and this will be done by way of a 1 for 6 Rights Issue at 36p per share.

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Tel: 01-248 5115

FINANCIAL TIMES
ON SATURDAY—
THE FIRST OF THE SUNDAYS

FT Monthly Survey of Business Opinion

Statistical Material Copyright Taylor Nelson-Group Ltd.

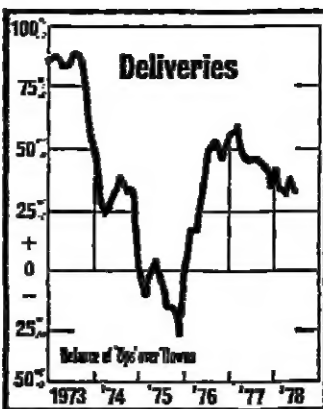
GENERAL OUTLOOK

Companies more cheerful

THE DECLINE in business confidence over the previous five months ended in the latest period, although it is too early to say whether this improvement represents a genuine reversal of the downward trend or is simply due to a sampling fluctuation.

The signs of optimism about companies' own operations were not carried through into their feelings about the outlook for the UK economy. This index continued to fall steeply.

The divergent trends are reconciled by an improvement in companies' hopes for exports.



The greater optimism of the industries in June's survey—non-electrical engineering, chemical and oil; and shipping and transport-connected industries—meant the weighted index recovered the ground lost last month.

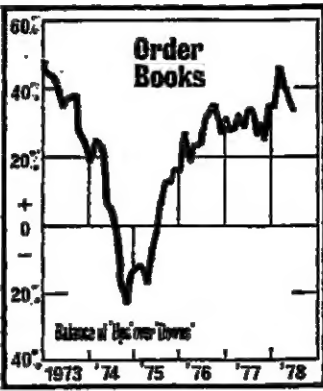
Other hopeful signs were that both the engineering and chemical and oil sectors were more inclined to expect smaller increases in hourly wage rates over the next 12 months than they had been when previously covered in the survey in February, and they also expected smaller increases in prices than they did then.

ORDERS AND OUTPUT

Expectations decline

ALL THREE SECTORS surveyed last month were less hopeful over their turnover prospects than they had been when previously surveyed. Order books slipped back from their previous high levels and there was a slight drop in the index for recent deliveries.

The chemical and oil and shipping and transport sectors were more inclined than they had been last February to report increased orders while the engineering group, although still prone to report increased



orders, was less encouraged to do so than it had been four months ago. The net result is virtually no change in the new orders index.

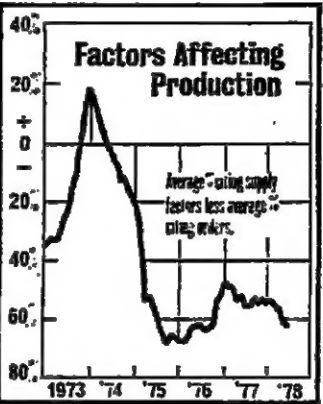
The index for the median expected increase in turnover in the next 12 months dropped back from 4.9 per cent to 4.5 per cent. There was also a slight deterioration in the balance indicator showing the difference between the percentage of companies expecting turnover in volume turns to increase and those expecting it to decrease.

CAPACITY AND STOCKS

Increases not planned

THE SURVEY provides evidence that the strong increase in the level of manufacturers' stocks in recent months was forced rather than willed. Both the chemical and oil sector and shipping and transport-connected industries said their stock levels were too high.

Although this feeling was partly offset by the reactions of the engineering group, the index of stock levels, reflecting the balance of companies who felt their stocks were too high over those who felt they were too low, continued to move upwards. It now stands near the levels reached last September.



companies, despite the high level of unemployment. Shortages of skilled factory staff were fairly frequently mentioned in both the engineering and chemical and oil sectors.

However, this constraint was felt to affect output levels less than in previous months. And both executive staff and manual labour was mentioned less frequently as a factor affecting production.

Accordingly the index reflecting the balance between supply and demand as constraining factors on production moved further in the demand direction.

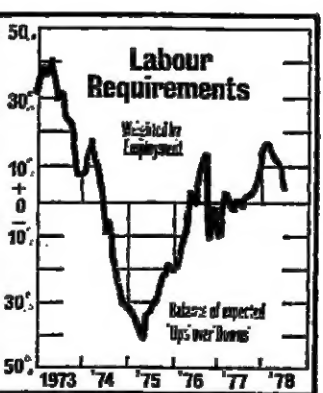
CAPACITY WORKING

	4 monthly moving total				June 1978		
	Mar.- June	Feb.- May	Jan.- Apr.	Dec.- Mar.	Eng'g. (non- elec.)	Chem. & Oils	Shipping & Transport
	%	%	%	%	%	%	%
Above target capacity	10	10	9	10	—	5	21
Planned output	53	54	56	57	67	49	27
Below target capacity	36	35	34	32	33	46	34
No answer	1	1	1	1	—	—	18

INVESTMENT AND LABOUR

Job prospects dull

THE PROSPECTS for unemployment remain pretty bleak as all three sectors interviewed this month were less inclined to expect an increase in their labour force in the next 12 months than they had been last February. Consequently, the labour requirements indicator has slipped back even further and there is only a small net balance projecting a rise in the number of employees. The potential cost of redundancy payments seems to have become more important as an influence on the number of employees among companies in the engineering, and chemical and oil sectors.



Industry is, however, confident about its investment plans with both the chemical and oil, and the shipping and transport sectors more inclined to project a rise in expenditure in the last 12 months than when previously surveyed. So there is a market rise in the overall investment indicator.

All three sectors were more inclined than before to say their liquidity levels were too high and to expect to use bank overdrafts to finance their expenditure over the next 12 months.

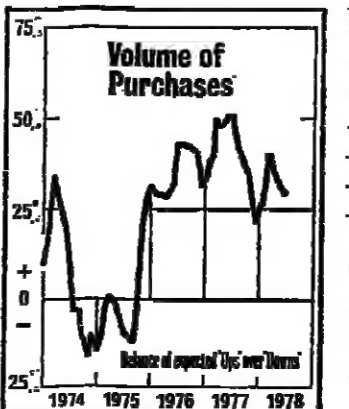
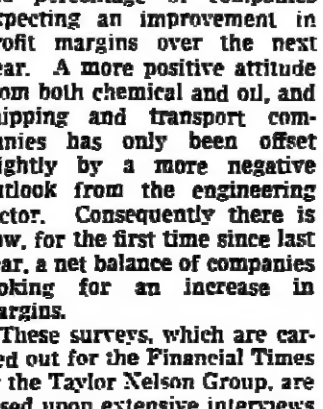
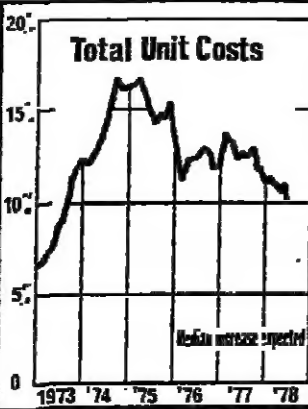
COSTS AND PROFIT MARGINS

Optimism about inflation

INDUSTRY REMAINS relatively optimistic about inflation further small drop in the level over the next year. Both the engineering, and the chemical and oil sectors were more

costs and there has been a further small drop in the level over the next year. Both the engineering, and the chemical and oil sectors were more

companies. The weighting is by market capitalisation, save where alternative methods of weighting are cited. The all-industry figures are



GENERAL BUSINESS SITUATION

	4 monthly moving total				June 1978		
Are you more or less optimistic about your company's prospects than you were four months ago	Mar.-June % %	Feb.-May % %	Jan.-Apr. % %	Dec.-Mar. % %	Eng'g. (non-elec.) % %	Chem. & Oils % %	Shipping & Transport % %
More optimistic	37	30	37	38	30	46	29
Neutral	43	44	38	38	64	28	17
Less optimistic	20	26	25	22	6	26	54
No answer	—	—	—	2	—	—	—

EXPORT PROSPECTS (Weighted by exports)

	4 monthly moving total				June 1978		
	Mar.- June %	Feb.- May %	Jan.- Apr. %	Dec.- Mar. %	Eng'g. & (non- elec.) %	Chem. & Oils %	Shipping & Transport %
Over the next 12 months exports will be:							
Higher	76	69	75	77	99	100	65
Same	14	16	13	9	—	—	30
Lower	9	12	9	11	1	—	5
Don't know	1	3	3	3	—	—	—

NEW ORDERS

	4 monthly moving total				june 1978		
	Mar.- June %	Feb.- May %	Jan.- Apr. %	Dec.- Mar. %	Eng'g. (non- elec.) %	Chem. & Oils %	Shipping & Transport %
The trend of new orders in the last 4 months is:							
Up	44	44	49	53	56	21	59
Same	27	32	28	29	32	28	18
Down	13	14	11	10	6	21	17
No answer	16	10	12	8	6	30	6

PRODUCTION/SALES TURNOVER

	4 monthly moving total				june 1978		
Those expecting production/sales turn- over in the next 12 months to:	Mar.- June %	Feb.- May %	Jan.- Apr. %	Dec.- Mar. %	Eng'g. (non- elec.) %	Chem. & Oils %	Shipping & Transport %
Rise over 20%	3	3	5	6	5	—	—
Rise 15-19%	1	1	4	4	—	—	—
Rise 10-14%	12	9	12	9	26	26	4
Rise 5-9%	26	32	23	25	6	26	—
About the same	49	45	48	48	63	48	78
Fall 5-9%	3	3	3	2	—	—	—
No comment	6	7	5	6	—	—	18

STOCKS

	4 monthly moving total				June 1978		
Raw materials and components over the next 12 months will :	Mar.-June %	Feb.-May %	Jan.-Apr. %	Dec.-Mar. %	Eng'g. (non-elec.) %	Chem. & Oils %	Shipping & Transport %
Increase	34	30	40	45	37	51	—
Stay about the same	45	47	42	40	55	47	44
Decrease	17	19	16	13	2	2	50
No comments	4	4	2	2	6	—	6
Manufactured goods over the next 12 months will :							
Increase	31	28	30	32	18	51	—
Stay about the same	40	37	38	41	66	42	34
Decrease	10	10	10	10	—	2	17
No comments	19	25	22	17	16	5	49

FACTORS CURRENTLY AFFECTING PRODUCTION

	4 monthly moving total				June 1978		
	Mar.- June %	Feb.- May %	Jan.- Apr. %	Dec.- Mar. %	Eng'g. (non- elec.) %	Chem. & Oils %	Shipping & Transport %
Home orders	86	86	85	86	92	100	56
Export orders	65	68	63	61	84	74	69
Executive staff	24	28	29	30	—	21	—
Skilled factory staff	42	41	43	42	49	62	4
Manual Labour	14	19	17	13	—	—	17
Components	2	4	4	5	—	—	—
Raw materials	3	4	3	5	—	—	4
Production capacity (plant)	11	11	14	15	—	5	—
Finance	—	—	—	—	6	—	—
Others	4	10	9	7	—	—	18
Labour disputes	24	30	30	37	36	—	17
No answer/no factor	1	1	4	5	—	—	10

LABOUR REQUIREMENTS (Weighted by employment)

	4 monthly moving total				June 1978		
Those expecting their labour force over the next 12 months to :	Mar.-June %	Feb.-May %	Jan.-Apr. %	Dec.-Mar. %	Eng'g. (non-elec.) %	Chem. & Oils %	Shipping & Transport %
Increase	24	29	28	30	8	—	—
Stay about the same	56	52	57	56	80	100	34
Decrease	20	19	15	14	12	—	66

CAPITAL INVESTMENT (Weighted by capital expenditure)

	4 monthly moving total				June 1978		
	Mar.- June	Feb.- May	Jan.- Apr.	Dec.- Mar.	Eng'g. (non- elec.)	Chem. & Oils	Shipping & Transport
Those expecting capital expenditure over the next 12 months to:	%	%	%	%	%	%	%
Increase in volume	62	54	55	53	67	81	56
Increase in value but not in volume	8	5	6	—	—	16	15
Stay about the same	9	11	15	18	6	3	3
Decrease	18	28	24	23	17	—	26
No comment	3	2	—	—	10	—	—

COSTS

	4 monthly moving total				June 1978		
	Mar.- June %	Feb.- May %	Jan.- Apr. %	Dec.- Mar. %	Eng'g. (non- elec.) %	Chem. & Oil %	Shipping & Transport %
Wages rise by:							
5-9%	19	12	9	10	6	42	—
10-14%	64	66	67	64	94	53	52
15-19%	9	12	13	11	—	5	4
20-24%	2	2	2	2	—	—	—
No answer	6	8	9	13	—	—	44
Unit cost rise by:							
0-4%	5	—	1	1	6	26	—
5-9%	41	34	38	36	67	53	50
10-14%	43	52	49	48	27	21	44
15-19%	2	4	5	7	—	—	—
20-24%	4	3	4	3	—	—	—
Decrease	—	1	—	—	—	—	—
No answer	5	6	3	5	—	—	6

PROFIT MARGINS

	4 monthly moving total				June 1978		
Those expecting profit margins over the next 12 months to :	Mar.-June %	Feb.-May %	Jan.-Apr. %	Dec.-Mar. %	Eng'g. (non-elec.) %	Chem. & Oils %	Shipping & Transport %
Improve	37	32	23	26	45	48	44
Remain the same	29	30	41	41	28	10	17
Contract	28	35	33	29	27	21	21
No comment	6	3	3	4	—	21	18

Building and Civil Engineering

Wimpey in a major Guildford project

PRIDE OF place in £11m worth of new work awarded to Wimpey goes to the Friary Centre project in Guildford for MEPC, first new major shopping centre project to be started in Britain this year.

Worth £10.1m, the contract covers the provision of the centre together with offices and a local authority residential block and preliminary work on the development, which will include a 34,400 square foot shopping complex on two levels, has begun. This will ultimately provide 51 shop units.

Rising from its roof level will be a 30,000 square foot office block and arts centre and the residential unit will contain 60 flats.

Provision of a new central bus station and of a link to an existing 1,100 space car park will have considerable impact on the centre of the city, which is already one of the major shopping centres in Surrey with its catchment area of around 600,000 people.

MEPC has already concluded arrangements for over half the space, though completion is still some two years away.

Sir R. McAlpine wins £8½m contract

A START is to be made in September on the construction of an Arndale shopping centre in Tarmans Road, Eastbourne, Sussex.

The £8½m contract for the first stage has been awarded to Sir Robert McAlpine and Sons by Town and City Properties and Legal and General Assurance (Pensions Management).

When completed, the centre will offer 320,000 square feet of shopping facilities and space has

Construction is to be in reinforced concrete framing with featured brick cladding and patent glazing on three levels.

Architects are Sidney Kay Firmin Partnership and structural engineers are Ove Arup and Partners.

The £1m award to Maldstone branch of Wimpey comprises two contracts, the first of which is for £598,000, covering the fitting out of a retail grocery store for Allied Suppliers (Properties) in Gillingham.

This will provide a large unit in the Hempstead Valley shopping centre which is part of the Federated Homes development, where Wimpey is carrying out work valued at a total of over £7m.

Most of the operations in this area should be completed by the end of the current year, it is anticipated.

The second job is worth £515,000 and has been placed by Thanet District Council for the modernisation of 130 local authority dwellings at Dane Valley Road, Margate.

Apartments in Dubai take shape

BERNARD SUNLEY AND SONS has announced that it expects to hand over the first of the 500 apartments of the Dubai International Trade and Exhibition Centre at the end of August to the Ruler of Dubai.

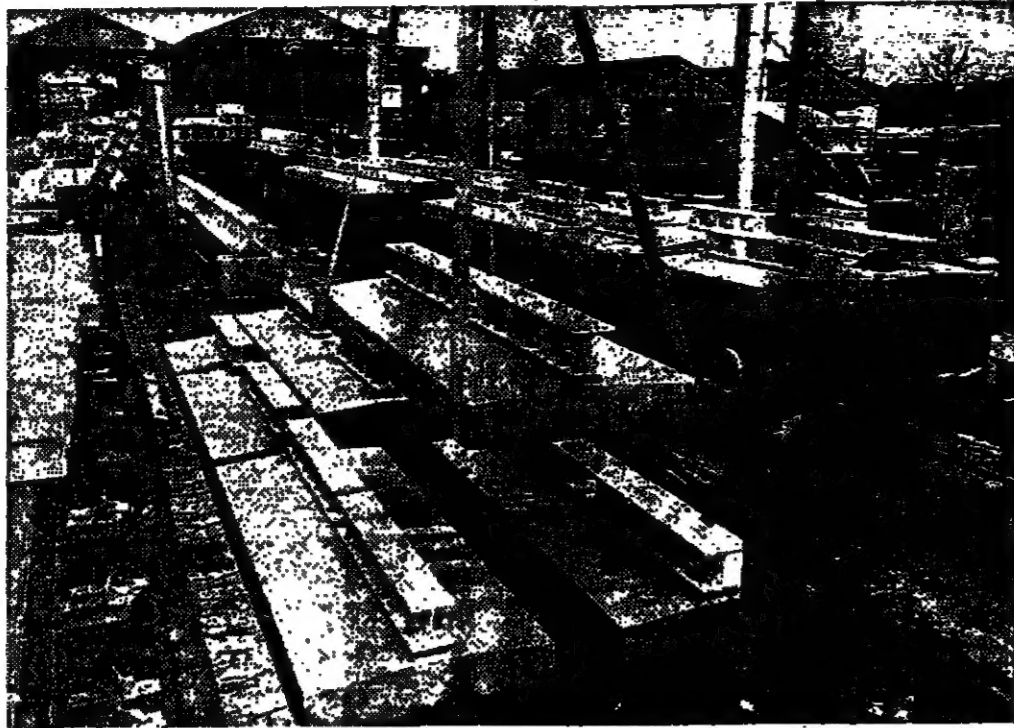
The apartments are built in two 15-storey blocks and one 14-storey tower on the Trade Centre site 350 metres from the

main 35-storey Trade Centre Tower. Each of the apartment blocks have identical floor plans, with 12 apartments per floor, in a mixture of one, two and three-bedroom units.

Work commenced on the apartments in November 1976 and a structural floor was completed every ten working days. All the 500 apartments will be handed over by the end of this November.

As well as the construction of the apartments, Sunley is responsible for their complete furnishing.

Architects for the project are John R. Harris and Partners and Widnell and Trollope are the quantity surveyors.



Precast concrete pipe supports and jacking beams for the Sullom Voe oil terminal in the Shetlands being loaded on to rail wagons at Anglian Building Products works at Lavenham near Norwich. This is the second batch of these components which are being supplied under a contract worth nearly £1m.

Stores and bank work by Bovis

FIFTH contract for a major store to be built by Bovis for the Tesco Group since the beginning of the year is for a £750,000 two-storey extension to existing premises at Sheerness in Kent. It will provide a further 21,000 sq ft of sales space at ground floor level, including an in-store bakery. Above, there will be bulk storage, food preparation areas and cold rooms.

When building has been completed, the existing store will be refurbished to give about 27,000 sq ft of sales area in total with

some 7,000 sq ft of storage space.

This latest contract brings the value of work in hand for Bovis by Bovis to £8.7m.

In London's Gracechurch Street, Bovis is to extend the premises of the Australia and New Zealand Banking Group under a £800,000 award.

The work will provide an additional 5,500 sq ft of space on four new floors at the rear of the building and a full environmental control system for the whole building will be installed.

The existing frontage will remain unaltered.

Housing by John Laing

A £3m contract to build 256 dwellings on a "green field" site adjacent to Halifax Road, Rochdale, Lancs., has been awarded to John Laing.

Work on the two-year project for the Metropolitan Borough of Rochdale is to start soon and will include 135 houses, 86 flats, two bungalows and 33 sheltered accommodation flats for the elderly. The flats will be built in five blocks and the houses will be in terraces.

At Brough, West Yorkshire, Laing is to build 111 homes for the Metropolitan Borough of Calderdale. This contract is worth £800,000.

Another housing award, worth £400,000, is for 40 homes, mainly for the elderly, for Northampton Borough Council.

Industrial estate in Bolivia

PLANNING AND engineering consultancy work for a new 2,000 hectare industrial park and township at Santivanes, in central Bolivia, is to be carried out by the WS Atkins group of Epsom, Surrey, for the Corporation de Desarrollo de Cochabamba (CODECO), a development body formed by the Bolivian Government for the area.

Sited some 30 km south-west of the city of Cochabamba, the complex will include an automotive foundry and forge as well as a vehicle assembly plant. It is also planned to move industries from Cochabamba to the proposed industrial estate.

The township will, it is anticipated, ultimately accommodate 50,000 people.

The Atkins group, in association with CONVAL SRL, will undertake economic studies, prepare planning and engineering proposals, and formulate an organisational and administrative system for the proposed development.

Factories in Milton Keynes

AWARDED A £723,000 contract by the Milton Keynes Development Corporation, John Mowlem will construct two advance factory units at Burners Lane, Milton Keynes.

These are the first detached, advance units to be built by the corporation and total 5,312 square metres (57,000 sq ft).

The factories will be steel-framed single storey units with integral two storey offices. They will incorporate cladding of steel-framed, pre-finished steel with bitumen polymer roofs on metal decking. The contract has started Richard Irvin and Sons. Value and is due for completion by the latter contract is £226,245. April, 1979.

Improving the water supply

LEMON AND BLIZARD of Southampton, have been appointed by the Water Development Department of the Government of Cyprus to design and supervise the construction of the first stage of the Nicosia water supply scheme.

This project is being financially aided by The World Bank and includes a major high-lift pumping station, 40 km of pipeline, a storage reservoir and break-pressure tank. The work is due for completion in 1980.

IN BRIEF

• Taylor Woodrow Construction has been awarded the contract to carry out alterations at the newly established Richmond College, Kensington. The £150,000 award is for constructing 50 self-contained bedroom units on three upper floors and remodelling ground and basement floors to provide modern kitchens, dining rooms, classrooms and administrative facilities. The alterations are expected to take six months.

• A one-day seminar on the design of brickwork and blockwork masonry will be held in London on Wednesday, October 11, organised by the Mortar Producers' Association to give advice to architects and specifiers on the correct use of mortars and renders. Speakers will describe how long-term durability combined with a pleasing appearance can be achieved by using lime-based mortars. Polytechnic of Central London is the venue.

Cuts cost of finishing

AN EPOXY rendering material which offers useful savings in the construction of industrial buildings by removing the necessity to concrete render brick/block work of interior walls before a surface coating can be applied, is now being marketed by Lamacrest of Grown Works, Cold Bath Road, Harrogate.

The material can be applied direct to the fair-faced brickwork, breeze, thermalite, and other building blocks to produce a very tough, jointless surface in a number of colours.

Such are the adhesive powers of the render, says Lamacrest, that where brickwork is interspaced with steelwork it will key to the surface effectively, so that the surface coating can be made continuous along the whole length of the wall.

The finished surface is smooth and non-porous and can be pressure-washed. It is also resistant to a wide range of chemicals, is non-toxic, and of such low odour that it can be applied in the presence of food, under controlled conditions.

and provision, around a paved pedestrian precinct, of five separate shop units with roof parking.

Under a £1.6m contract for the British Gas Corporation the company is to lay mains and services in the eastern area of Wales and further contracts for British Gas are being undertaken in the north-west and in Scotland.

Work is also being carried out for the Midland Electricity Board and for Imperial Chemical Industries.

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Blueprint to meet world interest

TODAY, at the Royal Show in Stoneleigh, Warwickshire, Taylor Woodrow International is unveiling a blueprint for what it describes as a "modular" approach to the design of an international sports stadium in which the accent could be on equestrian events, but which would also cater for a very great variety of other sports, both indoors and outdoors.

Inception of the design was in answer to an inquiry from a Middle Eastern country. But provided the land is available, there is no limitation on where the facility could be implanted.

Externally there would be provision for football, athletics, hockey, tennis, golf and even— for the Middle East—the equestrian game of cricket.

Taylor Woodrow naturally cannot put a figure to a blueprint of this type, but it seems clear that no-one would start a project of this nature without very extensive grounds or the intention of making the centre a multi-million pound facility.

The aim all the way through has been to make maximum use of facilities in an all the year round training cum competitive venue. And the designers have concentrated on making the various possible units dovetail in such a way that progression from a basic unit is simple, placing no strain on environmental acceptability.

All buildings are designed so that they can readily be extended and approaches and surroundings are also planned to include wide grassed and wooded areas.

Further from Index Finishes (UK), Dawkins Industrial Estate, Poole, Dorset, BH15 4YJ (02013 78861).

Abu Dhabi stadium

WHITE, Young and Partners have been appointed as advisory consultants to the Government of Abu Dhabi on the construction of the \$30m Zayed Sports City complex in the capital, and now have overall responsibility for the architecture, engineering and project management of the scheme.

The complex on which work is well under way consists of a two-tiered stadium, elliptical in shape to accommodate 55,000 seated spectators. Completion is due by March 1979.

The architects are R. Calhoun and Partners, of Paris, and main contractor is the Consolidated Contractors Company of Lebanon. Mechanical and electrical sub-contractor is Haden International, and piling sub-contractor is Frankpie.

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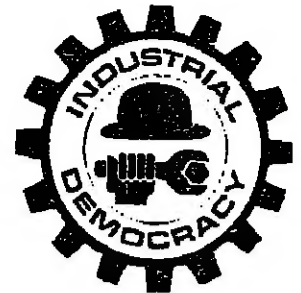
June, 1978

The Executive's and Office World

EDITED BY CHRISTOPHER LORENZ

The new shape of worker participation in Germany

By ADRIAN DICKS in Bonn

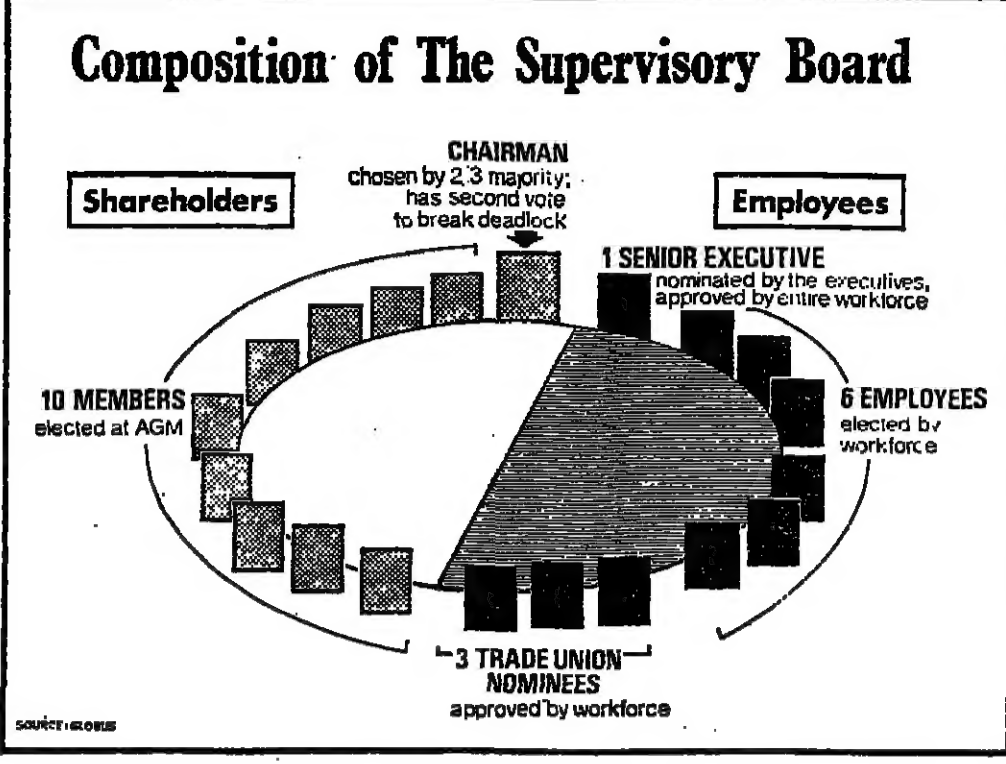


in new plant. It is a fairly safe prediction that many of the trade union-appointed and employee-elected members of supervisory boards will find themselves in an exceedingly difficult position if they are asked, in effect, to choose between the financial health of a company and the preservation of jobs. A further lesson this spring has been the growing restlessness within some unions at what is perceived as spinelessness, or over-willingness by top national leaders to see the employers' point of view. In a few cases, mass resignations have been reported, while a round of works council elections last week indicated in some big companies a weakening of the unions' grip, with not insignificant gains by dissidents and extreme Left-wingers.

It is not impossible, therefore, that the unions in general, and some of their leaders personally, will find themselves losing nearly as much as they gain from the Mitbestimmung Act. Some British union leaders, in their comments on the Government's industrial democracy White Paper, have shown that they are fully aware of the dangers of adding such heavy responsibilities to the power they already enjoy.

German supervisory board proceedings are, by law, confidential, and it may therefore be a year or two before outsiders will have enough decisions available to judge whether the presence of the workers' representatives is going to make any difference. It is, perhaps, excessive German caution that has led in the entire debate about giving employees a greater say to dwell so heavily on the potential hazards, and so little on the gains that many of the idea's sponsors originally hoped for.

By and large, the implementation of Mitbestimmung is going to depend on much the same group of people who have held responsibility for German industrial relations over several decades. Their track record is not at all bad.



The new-look top-tier board in German companies with over 2,000 employees

LAST SATURDAY marked the deadline for big West German companies to meet the requirements of the 1976 workers' participation (Mitbestimmung) Act, under which they have now put into place new supervisory boards composed of equal numbers of representatives of the employees and of the shareholders.

Partly because late June is a favourite time for annual general meetings, and partly out of ill-concealed reluctance, a good many large concerns seem to have left it as late as possible to comply with the Act. Last week saw a flurry of announcements of newly constituted supervisory boards from such groups as AEG-Telefunken, Aral and Ruhrgas.

Yet despite some of the predictions made when the Act was passed, there seems to have been a relatively small number of serious attempts completely to frustrate its aim of giving workers a greater say in how their companies are run. One or two private groups have transferred their corporate legal domicile abroad.

Lawsuits

There has also been a handful of reorganisations, splitting companies up into smaller parts, each of which falls below the threshold of 2,000 employees at which the Act applies. In 16 known instances, lawsuits brought either by trade unions or by shareholders' associations have put implementation of the Act into the hands of the courts.

To the annoyance of the unions and of Chancellor Helmut Schmidt's Social Democratic Party, a question mark still hangs over the Act, in the form of a lawsuit brought by several companies and employers' associations. Although they insist they are not challenging the principle of worker participation, they want the Federal Constitutional Court to rule on the Act's implications for the constitutional right to private property. No judgment is expected before the autumn.

For the most part, German companies have, however, enthusiastically put the Act into effect. Herr Joachim Zahn, the executive chairman of Daimler-Benz, articulated a widespread attitude among senior management when he told the company's annual general meeting that its motto must now be "readiness for consensus." There was now a duty on the part of companies to "find a joint basis of interest in the continued

development of the company with the persons to whom new responsibilities have been given." There had been constructive co-operation with workers' representatives in the past, said Herr Zahn, and he hoped this would be possible in the future, too.

So what happens now? It would probably be a mistake to expect dramatic changes in the way in which German companies operate. It must be remembered that the legal duties of a German supervisory board are limited to the appointment (and occasionally the firing) of executive directors — in contrast to several other countries, no one may be a member of both boards—together with the board supervision of company policy and the disposal, in conjunction with the executive board, of profits. Normally the supervisory board also has to approve major investments and strategic decisions.

The flesh on these legal bones is, of course, different in every company. There are in practice many cases where the supervisory board exists merely as a rubber-stamp for the wishes of a controlling shareholder, and where either the chairman of the supervisory board or the majority shareholders' representatives in practice give orders to the executive board without the board necessarily meeting formally. Such, no doubt, is the case for most West German subsidiaries of foreign-owned multinationals.

There are many companies, and particularly those where no one holds a large block of shares, where the supervisory board is generally told what to do by the executive board, approving meekly everything that a forceful chief executive puts in front of it. In such cases, many observers feel, the newly constituted supervisory board will become still more malleable and the real power more concentrated in the hands of the executive directors.

In other concerns, the supervisory board can be an influential body in its own right as well

as a forum for resolving difficult conflicts of interests. In the spring of 1976 Volkswagen's supervisory board included, under the now superseded Works Constitution Act, Herr Eugen Loderer, President of the engineering workers' union IG-Metall, as a deputy chairman. Five members of works councils of the main VW plants were also on the board, which also included members of the Federal and the Lower Saxony State Governments, and a number of bankers and industrialists. But when the Board approved the plans of the executive chairman, chosen by direct vote, or Herr Toni Schmuckler, to through tortuous electoral college procedures, seem to be relatively unprepared for the type of decisions for which they are now responsible—though the individuals involved. On 75 per cent of all the employee representatives now serving are shareholders' side, industrial representatives and thus have extent on whether the chairman at least the unions' own pro-

second, tie-breaking vote. That West Germany's enviable record of industrial peace has ment to the unions, who had not entirely done away with a long defined their goal of deep, mutual mistrust between "parity" as meaning that employers and unions. The neither shareholders nor attitudes towards the Mitbestimmung employees' representatives mung Act have been one would have an advantage. That symptom of management's proindeed is the Mitbestimmung found wariness, for example in model that has been in force arguments that the members for over 25 years in the coal and of the supervisory board steel industries, where in the directly appointed by trade event of a deadlock, a super- unions might breach the legal visory board calls in a neutral obligation of confidentiality, by referee to decide the issue. passing back financial information that could give union officials an unfair advantage in Not all companies, however, are prepared to take the new wage negotiations, positive view of the new wage negotiations, where difficult issues can be resolved through debate, and where decisions are reached. On the wage front itself, 1978 which—as in the VW case—has been a hard-fought year, bind the union members no with long and costly stoppages less than the shareholders. In the printing industry and in a recent private conversation, the executive chairman of a German metalworking and well-known non-ferrous metals engineering industry. Both group referred to the freshly disputes led the employers to constituted supervisory board use the lock-out weapon—of his company as consisting of bitterly resented by the unions, two "Fraktionen" — the And both touched, as well as German word that is generally wages, on the very complex used to denote the opposing issues involved in safeguarding political groups in parliament, jobs against excessively rapid The plan, it emerged, was to automation.

National machinery to discuss employees' delegates each along one side of a table like two governments negotiating for- mally. It did not seem to have occurred to anyone that a suit questioning the Mitbestimmung round table, for example, might have broken up the blocs—or perhaps no-one wanted it that way.

For what is clear from the essentially defensive attitude when lay-offs on any significant scale are threatened, just as are entering the new era is that they must authorise investment

Powell Duffryn: diverse interests a source of strength

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—per share in pence	41.8p	42.1p
Ordinary Dividends	3,070	2,012
—per share in pence	10p	7.881p
Dividend Cover	4.0 times	5.5 times
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Return on Average Net Assets Employed	16.3%	17.3%
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Forecasting uncertainty

THE ONE certainty about business forecasting is that it is an extremely uncertain exercise. This is the point that comes through forcibly in a new publication by the Institute of Cost and Management Accountants, which aims to show how future risk and uncertainty can be measured in numerical form. In order to assess and compare the internal and external influences on a company.

The author is Gordon Humphreys, a director of management consultants Binder Hamlyn Fry, and the booklet is based on a publication produced by his company. As pointed out in the introduction, he is only concerned with forecasts used by managers to help make quantitative decisions.

These, he says, fall into two categories: first, in choosing the better of a pair of options (such as which is a better investment project); and second, calculating the best course from a large number of possibilities while taking account of conflicting constraints. Here, he cites the need to assess a capacity large enough to catch a market but small enough to avoid wasted investment.

Risks

While accountants are accustomed, when comparing projects, to allow for the different timing of results by discounting the values of cash flows at some future date, Mr. Humphreys says managers also need to discount forecasts by their relative uncertainty. Colloquially, he says, managers refer to "calculated risks," but "they rarely calculate them and as a result they often decide wrongly."

The book describes, with the aid of practical examples, the way in which management results can be improved by quantifying the uncertainty of forecasts and "aiming-off" accordingly.

Among a list of "do's" and "don'ts" of risk calculation, Mr. Humphreys points out that most managers are brought up to feel that a tonne of over-capacity or unsatisfied demand are equally sinful. But as failure to satisfy demand is often six to eight times more costly than over-production the need to calculate the right level of capacity rather than guess it is emphasised.

Analysing Uncertainty—An Introductory Workbook for Decision-Making, by R. G. Humphreys, available from the Institute of Cost and Management Accountants, 63, Portland Place, London W1N 4AB.

Nicholas Leslie

This announcement appears as a matter of record only.

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May, 1978

A fixed interest in socialism

BY ANTHONY HARRIS

READERS OF my previous column will already know that Rowe Rudd, the stockbroker, has uncovered a financial mystery that only deepens on close inspection. The central figure is stark: between 1966 and 1978 the public sector has acquired a net worth of £130bn—the excess of the current value of its capital assets over the market value of its obligations—and at first sight this sum has come out of thin air. The brokers urge the total indexation of public debt as a cure, and the failure to do so in the past as the cause of the advance by the State. However, my own calculations suggest that this is less than half the story.

The reason is simple: if the whole of the national debt had been indexed since 1978, it for a full year's national income, would only have grown at about half the rate of the public sector's real assets. If only gifts and Government guaranteed long securities had been indexed, the increase would have covered a quarter of the public sector's apparent gain. What we have to account for is a gain in the range of £65-100m paid for by taxpayers and customers rather than savers.

The national accounts are suggestive, but no more. Over the whole of this period the gross saving of the whole public sector—the excess of receipts over current expenditure—totalled about £40bn; but that had to cover depreciation as well as new investment, and in no year was the reported saving as much as 5 per cent of the public sector's capital assets. In other words, the public sector was running down the whole time.

The clue

The clue to the missing billions lies elsewhere—in inflation accounting. The public sector is, in terms of the Hyde guidelines, 100 per cent geared; the gain represents a gain on monetary liabilities.

Now at first sight this is a flat contradiction. If the losses suffered by lenders account for only a quarter to a half of the huge balance-sheet gain to the State, how can the State's gain as a borrower account for the whole of it? The answer is that the losses suffered by lenders were abated by large receipts of interest—indeed, currently it looks as if public debt once more promises a real return to its holders. But that is in historic cost terms. In inflation accounted terms, as John Flemming has

forcefully pointed out—in the Bank of England Bulletin, of all places—these so-called interest payments are in fact largely repayments of capital.

In real terms, then, what has happened is this. Between 1966 and 1978 the losses of investors have allowed the state to acquire £30bn-£65bn of assets, depending on definition. The rest of the £130bn has been provided by taxpayers and above all by customers. They have had to finance the repayment of old and the accumulation of new capital under the name of interest charges, as well as the excess of the advance by the State current receipts over reported current spending.

We are not discussing trivial sums, either. The total State acquisition of real assets in the space of 13 years is getting on for a full year's national income; the private sector of, say, real assets, 7 per cent of total income. This is a positively Stalinist regime securities had been indexed, the increase would have covered a quarter of the public sector's apparent gain. What we have to account for is a gain in the range of £65-100m paid for by taxpayers and customers rather than savers.

The dilemma

The inflation accounting aspect is not the end of the story, either. High interest rates have high inflation also have a cash flow effect, underlined in the evidence to the Wilson Committee on the "capital repayments" we have already discussed—discounted as interest charges—are front-loaded—they are biggest in real terms in the early years. This is why industry can no longer raise long-term loan capital in the private sector, but the public sector housing sold on mortgage.

The State, with the power to tax and the power to print, has no comparable cash flow problems—only political discomfort; so the regime of recent years has become the sole source of outside loan capital to industry.

One final irony: a comprehensive financial reform now, with the State guaranteeing real value to savers, would actually confirm the status quo so far as past impositions are concerned, whereas long rates at their present level might even, if inflation abates, allow some claw-back for private savers. But this would be at the expense of taxpayers; and given the other advantages of orderly markets, protection of real wealth, and reduced taxes and subsidies, it is surely worth letting bygones be bygones.

Strident critics of penal reform were uninformed

BY JUSTINIAN

SENSE AND NONSENSE vied with each other last week over publication of the report by the Advisory Council on the Penal System on Sentences of Imprisonment, recommending substantially lower statutory maximum penalties for a wide range of crimes. Indicate the highest penalty the courts might inflict on all but a minority of dangerous offenders.

The strident, and depressingly predictable, sensationalism of much Press treatment of the report—a characteristic theme was "the rapists' charter"—bore out the aphorism that if you talk good, sound sense, on any controversial social issue there is a Pavlovian response on the part of the mob who are conditioned not to listen.

For those who were prepared to pause and listen there was much to digest and contemplate. In the light of the contemporary scene of crime and punishment, what was the Council asked to examine? The remit was simple. Does the present system of penalties provide a valid guide to sentencing practice?

Garroters Act

Thus the Council quickly discovered that it was the Council that had constructed the modern sentencing system. The judges over the years have set the tariff of penalties, with little guidance from Parliament that had fixed the maxima so high that they bore little relevance to actual punishment meted out.

Given this historical background, it is hardly surprising that the penalties selected by the courts reflect a kind of simple-minded puritanism, the premise being that conduct we dislike will cease if we punish it. If only we pass a criminal law with harsh sanctions. Many of our criminal laws were enacted in an excess of righteous indignation.

Written at the random, accidental times when particular evils were perceived, the ensuing statutes were a cacophony of vocal opinion. One example suffices. The Garroters Act of 1863, empowering the courts to order the whipping of adults, in addition to any sentence of penal servitude in cases of robbery with violence. But this was described by the Home Secretary of the day, Sir George Grey, as "panic legislation after the panic had subsided."

Little wonder, therefore, that the Advisory Council concluded that in the process of imprisoning offenders Parliament should

in future play a greater role. Judges should not be given a blank cheque on which to write in the appropriate amount of punishment.

That the task is performed by the judges tolerably well was an argument for leaving the system as it is, wars and all. Yet the Council could not, and did not shirk the duty of discussing seriously and soberly in public the theory of sentencing.

It has produced a valuable document that should form the basis of public debate. And it would have been odd had it stopped there and not made its proposals for the future. The scheme that it proposes will serve at least as a useful point of departure.

The Council felt a more consistent statement of Parliament's view of the relative seriousness of offences was needed. And a greater accord should be achieved between the scale of seriousness with which Parliament viewed offences (by way of the Statute Book) and the scale of punishment actually meted out by the judges (as shown in the actual sentences passed). Hence the scheme proposed was the forging of a direct link between what Parliament should prescribe as being the maximum, with the highest penalty the courts could pass for the ordinary offender. The scheme is ostensibly vulnerable on the question of the criteria it formulates for cases where the courts would be permitted to go through the barrier of the new maxima.

In drawing the dividing line too widely (thus permitting longer sentences in too many cases) the Council has not unnaturally compromised among two disparate views among council members (not to say the public) about those crimes that require protection of the public against serious harm. The Council has ducked the really difficult problem of defining dangerousness—itsself a dangerous concept.

But it has raised the topic and looks to the nonofficial committee under Mrs. Jean Flood, Principal at Newnham College, to point the way forward in a report early next year.

The need for rationalising the sentencing system might have been justification enough for proposing a new scheme for Parliament to consider. But the Council was impelled by a contrary consideration towards its plan for a new system. Only a year ago it published an interim report advocating, loud and clear, a shortening of sentences in the lower and middle band of

sentence lengths. It spelled out its belief that many sentences of imprisonment imposed on the vast majority of offenders are longer than they need be for any useful social purpose, and that nothing would be lost from the point of view of deterrence if they were to be significantly reduced.

No future

That report evoked no public future, such as was emitted last week by sections of the Press. Encouraged by any pronounced hostility to the idea of shorter sentences for the mass of offenders, the Council has built upon that earlier pursuance of the need for shorter prison sentences in fixing new maximum penalties.

The new system, moreover, will concentrate the courts' attention on the crucial distinction between those nuisances for which a taste of prison was adequate and those menacing individual safety who society is justified in seeking to protect itself. In the current context of a prison service oppressed by a bulging prison population (and with little prospect of relief from government) any alleviation would be welcome. Indeed the association of prison governors has already applauded the lead given by the Council a year ago.

The Council's sensible approach as dictated by the philosophy that the sentencing of offenders is the key to a rational penal system. And it has historical precedent to back it up. A hundred years ago the courts experimented with the use of imprisonment. From 1878, when the prison service was nationalised, until the First World War the prison population dropped from 30,000 to around 10,000, with little discernible adverse effect upon the rate of crime. (Today it is over 42,000.)

The propagators of nonsensical comment last week ignored both the report's closely reasoned argument and the sensible conclusion arrived at. Mildly antagonists overlooked the fact that sentencing proposals cannot be viewed in isolation. They must be related to the prison system. Prisons, as we know them and have known them, are futile for any purpose other than the temporary humane containment. They are a scarce resource for any society, let alone one undergoing economic stringency. We need to husband these slender resources and use them where it matters most.

The ingredients of the best tournament in the world

DESPITE ONE of the coldest, wettest and most miserable first weeks in living memory, with Thursday a total wash-out, there have been record attendances at Wimbledon. There were 197,454 paying customers—more than 1,500 better than the record set in 1975, and as early as the second evening overnight queues were forming.

On the Wednesday—the only day of "traditional" Wimbledon weather—the lines of hopeful fans snaked all the way around the grounds and halfway to Wimbledon Common, so it was no surprise when the attendance figure passed 38,000 for the first time.

It is difficult to measure by popularity, the 1978 championships promise to be the most successful in their 101-year history.

The reasons for Wimbledon's growing appeal are manifold, and are not solely a reflection of the world's growth of tennis. Quite simply, Wimbledon is the best tennis tournament in the world—a view shared by players, public and journalists.

Of course, Wimbledon tradition stretches back further than at any other venue. The present ground, opened in 1882 and wisely developed by the committee over the years, was a masterpiece of design. At its heart the Centre Court is an amphitheatre that combines in perfect balance the gladiatorial qualities of the Roman Colosseum, the historic ambience of the Royal Albert Hall, and the dramatic expectancy of the Theatre Royal, Drury Lane. The competitors take on the role of actors and to play on the sacred turf is a privilege reserved for a few mortals and the experience either inspires or destroys talent.

Atmosphere is everything at Wimbledon and central to its very existence is the grass. With-out those smooth velvety lawns, each one a mini arena where the best of the world's players communicate with a directness rare in international sport, Wimbledon would be a different place.

It would be merely another stop on the circuit—albeit best organised and best appointed. As it is present at Forest Hills in 1975, the year that the grass was replaced by the grass, it is a loss to the tennis world.

The grass provides more than the sterner test of a player's reflexes and athleticism concentrating and inspiring. It contributes greatly to the service party (as that is still one of the fundamental charms of the place).

Strawberries and cream on the grass have a champagne sparkle in the members' Duke and Duchess of Kent purring past in their Rolls-Royces... famous faces and a scattering of fashion (less now than in previous years)... hydrangeas and carnations everywhere—these are the elements that create the atmosphere.

Excitement

The excitement is provided by the players, unquestionably the best in the world, and playing with a grace and power (though deliberately not record money) and they all recognise Wimbledon as the Jewel at the top of the game's golden crown.

Cleverly the committee has preserved Wimbledon's subtle atmosphere by embracing the materialism of the modern age. The Centre Court, unlike most international sporting arenas, is insulated by advertisements, and the ground remains free of hoardings. However, a fortunate few organic places are left open to the list of marquee holders, British Petroleum, and either inspires or destroys talent. Barclay's Bank and Wilkinson-Sword... the cream of British industry is represented, and the waiting list for non-existent extra places is long. These activities, together with a sponsorship from those companies concerned with the running of the championships, have together brought a healthy six-figure income to augment the regular income from ticket sales. The fact that £200,000 was returned this year to unsuccessful applicants for tickets suggests that there is scope to build an even larger show-stand to accommodate the growing army of supporters.

However, although plans for such a scheme are on the drawing board, there is an understandable reluctance to change a winning formula. It is because of their scarcity that Centre Court seats are so sought. There would be a greater parking problem. At present of the 38,000 who come by car can park within easy reach of the ground. There is no extra land to allocate to extra parking, and even some of the existing space would disappear if a new stadium was constructed.

Sadly, for British tennis Wimbledon completely dominates the national outlook. Whereas other countries have several major sites where tournaments can be staged and indoor purpose-built clubs where the game is enjoyed throughout the year in air-conditioned comfort here in Britain everything begins and ends with Wimbledon.

Because of governmental pre-occupation with sport for all, there are numerous multi-sports centres dotted around the country. Few cater for indoor tennis, and when they do, the time allocated to the sport is limited simply because the space can be more profitably used for other activities.

Thus Britain has become the poor relation of the tennis world in terms of facilities—a point forcibly made by national team manager Paul Hutchings recently. He believes that unless we can provide a national indoor training centre as the first of a series of purpose-built tennis centres around the country, the performance of British players will continue to disappoint the fans, as they have again at Wimbledon this year.

GAMBLING

BY MICHAEL THOMPSON-NOEL

Rothschild must make it less of a lottery

WE HAVE been warned. At a betting, football pools, casinos anticipated 600 pages, and now lotteries; and the practices and financial structure of the various facets of the industry. Gambling should prove a blessing to the nation—a golden vein of dusk-to-dawn reading.

To the industry, the true test of the radicalism of this approach will be provided by its approach to the organisation and financial structure of gambling in Britain, for there is a small band of men—as friends of the monarchists at Marlborough House—who believe that the commercial gambling is "good" or whether it is "bad." Such a futile question would have plagued the commission into a philosophical gloop with a tightly sealed lid.

Even so, they have not escaped lightly. The commission, in its report, has instructed them to launch themselves on an investigation of an industry whose total turnover, fuelled by the recent manic flight into lotteries, now tops £200m—a turnover that generates profits of £20m annually. In the course of their studies, Lord Rothschild and his colleagues were not asked to consider whether commercial gambling is "good" or whether it is "bad." Such a futile question would have plagued the commission into a philosophical gloop with a tightly sealed lid.

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mon sense with a wish to appease the commission.

Ladbroke moved in at Aintree with a £1.8m management contract that virtually saved the Grand National. It announced big spending, sponsorship schemes. It injected a considerable sum of money into the Royal Race. And at every opportunity it has sought to present itself as a generous fairy godmother to British sport.

This is not altruism. As I say, Mr. Stein is a very astute man. In fact he can argue with neurological precision that the gambling combines are paying as much to sport as they can afford.

In part, this argument found acceptance 18 months ago in the Royal Commission's interim report, which concentrated on the football pools as a source of extra cash for sport. It revived the idea of a special levy on the Pools Promoters' Association, saying its investigation "did not disclose any evidence of inefficiency or extravagance in the running of the business, nor suggested that profits were exceptionally high." Though the commission said it would return to these and similar themes in its final report.

"The (PPA) regard their payment of £2m a year to the Football League and the Football Association and the £500,000 to the Football Ground Improvement Trust as their voluntary contribution to sport," the commission said. An attempt to extract further money from the pools promoters, the PPA maintained, would create a "serious accelerating trend towards reduced turnover, smaller prizes, and a smaller tax haul for the Government."

This is the thicket in which Lord Rothschild and his colleagues have been sifting evidence for two-and-a-half years. At the least their report is expected to call for a major overhaul of gambling legislation. It will probably demand greater control over sport. It will probably call for a complete rationalisation of Britain's mushrooming lottery craze. It may even venture into the complex sociological and commercial controversy of State vs. private gambling control, discussing though probably dismissing—the arguments for a national lottery. At 600 pages it can spread its wings.

Are the gambling conglomerates giving enough? Let us look at the Ladbroke Group, the brand leader of organised betting, whose gambling interests now run to more than 900 betting shops, 12 casinos, 76 social and bingo clubs, a clutch of greyhound tracks, a cashed-out horse racing and very own racetrack, Lingfield Park—interests which have helped fund its push into hotels, holidays and properties so that in the year to January, 1978, the group's total profit climbed 58 per cent to £24.5m, a 25 per cent increase.

The Ladbroke chairman is a very astute man. Even in the days before the Rothschild mission was set up, Cyril Stein had engaged that Ladbroke was seen as a generous and spirited contributor to sport, particularly to horse-racing. But in the past two and a half years, Ladbroke has really gone to town—presumably in the hope of blinding promoters' and marketing com-

missioners. It is also asked to peer and decide into the adequacy or otherwise of current restrictions on the provisions of facilities to gamblers; the consistency—or rather ostentatious lack of it—of the legal and social parameters that apply to rival gambling sectors, notably off-course

betting, football pools, casinos and now lotteries; and the practices and financial structure of the various facets of the industry. Gambling should prove a blessing to the nation—a golden vein of dusk-to-dawn reading.

To the industry, the true test of the radicalism of this approach will be provided by its approach to the organisation and financial structure of gambling in Britain, for there is a small band of men—as friends of the monarchists at Marlborough House—who believe that the commercial gambling is "good" or whether it is "bad." Such a futile question would have plagued the commission into a philosophical gloop with a tightly sealed lid.

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TV/Radio

† Indicates programmes in black and white

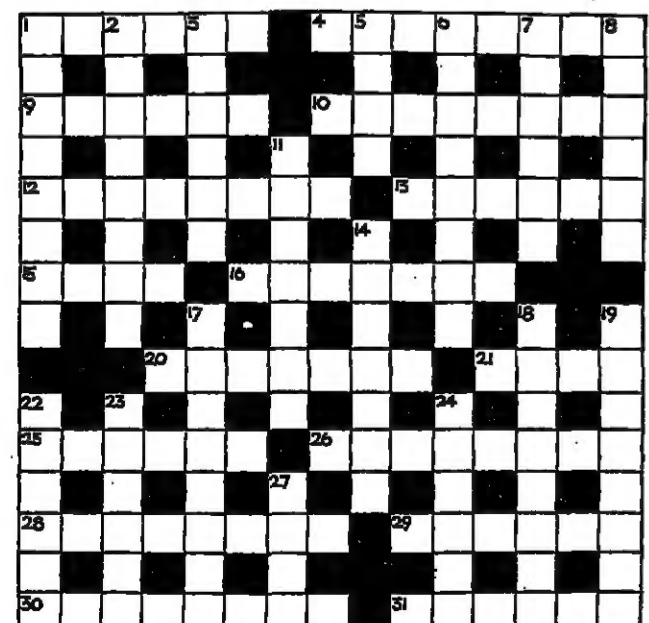
BBC 1

11.35 am Cricket: Third Test—The Cornhill Insurance Test Series: England v. Pakistan. 1.00 pm Mr. Bean. 1.45 News. 1.55 Wimbledon Lawn Tennis Championships. 4.18 Regional News for England (except London). 4.50 Play School (as BBC2 11.00 am). 4.45 Great Grape Ape and Bailey's Comets. 5.45 Blue Peter. 5.55 The Wombles. 5.40 News. 5.55 Nationwide (London and South-East only). 6.15 Wimbledon Highlights. 7.20 Panorama. 8.00 News. 8.25 The Monday Film: 'The Anniversary' starring Bette Davis. 10.55 Tonight. 11.35 Weather/Regional News.

All Regions as BBC1 except at the following times—

Wales—1.30-1.45 pm Pili Pili. 5.55 Wales Today. 6.15-6.40 Heddidi. 6.40-6.50 (Wimbledon). 11.35 News and Weather for Wales. Scotland—10.00 am Paddington. 10.05 Jackson's. 10.20 Grange Hill. 10.40-11.00 Three's Company. 5.55-6.15 Reporting Scotland. 10.55 Public Account. 11.30 News and Weather for Scotland. Northern Ireland—4.18-4.20 pm Northern Ireland News. 5.55-6.15 News Around Six. 11.35 'Night Class: The Battle of the Somme' (tribute to the 38th (Ulster) Division). 11.55 News and Weather for Northern Ireland. England—5.55-6.15 pm Look East (Norwich). Look North (Leeds, Manchester, Newcastle). Midlands Today (Birmingham). Points West (Bristol). South Today (Southampton). Spotlight South West (Plymouth).

F.T. CROSSWORD PUZZLE No. 3,708



- ACROSS
- 1 Can you find work in that headgear? (3-3)
 - 4 Is full of praise but goes to pieces (8, 2)
 - 9 Looked for an expression of disgust in a drunkard (8)
 - 10 This ship stops short of actual disaster (8)
 - 12 The girl to enchant a Scot (8)
 - 13 Civilised source of evil to the city (8)
 - 15 Dish made up in a panic (4)
 - 18 She had a meal amid the festivity and came to life (7)
 - 19 Instructed to advance with a cheese meal (7)
 - 20 So the monster is returning (4)
 - 21 State newspaper for the transatlantic (2, 4)
 - 22 Degenerate period in proper surroundings (8)
 - 23 Penniless sensational literature (8)
 - 24 The way up for the celebrities about one (6)
 - 25 Exclusive rights about one of the invalids (8)
 - 26 A lovely fellow has trouble with bad back (8)

- DOWN
- 1 Match box as legal precedent headgear (4, 4)
 - 2 Prize periods for our feathered friends (8)
 - 3 Familiar with reception (2, 4)
 - 5 Infrequent union of two regiments (4)
 - 6 Preserve a sign for the Atlantic Isles (8)
 - 7 Craft current in the sick-quarters (6)
 - 8 Written in confinement (6)
 - 11 Dad joins tennis champion in talk (7)
 - 14 Officialdom becoming narrower in the end (7)
 - 17 The staff to make a newspaper come to an end (8)
 - 18 Well produced from East Iran (8)
 - 19 Locks Hebrew lawgiver with the right inside (8)
 - 22 Finish the business. Got it? You must be nervous (4, 2)
 - 23 Notice the opening festival (8)
 - 24 Who's Heath misemployed? (8)
 - 27 "Can't stay" or animated (8)

The solution of last Saturday's prize puzzle will be published with names of winners next Saturday.

BBC 2

11.00 am Play School. 1.00 pm Cricket: Third Test—Wimbledon Lawn Tennis Championships. 2.00 pm News on 2 with sub-titles. 5.15 The Two Ronnies. 5.40 Play of the Week. 5.55 Dear Mother. 10.45 Late News. 10.55 Match of the Day Special: Highlights of Wimbledon and Cricket. 12.05-12.15 am Closedown (reading).

LONDON

5.30 am It's Life with David Bellamy. 9.55 Pato Along with Nancy. 10.20 The Undersea Adventures of Captain Nemo. 10.30 Little House on the Prairie. 11.30 21st Century. 11.45 Felix the Cat. 12.00 Playday. 12.10 pm Pinks. 12.30 Saturday World. 1.00 News plus FT index. 1.20 Help! 1.30 About Britain: The Quiet Ways of Wales. 2.00 Afternoon. 2.45 Monday Matinee: 'The Lady Vanishes' starring Margaret Lockwood. 4.20 Clapperboard. 4.45 The Famous Five. 5.15 Betman. 5.45 News. 6.00 Thames at 6. 6.40 Help! 6.45 The Kenny Everett Video Show. 7.30 Coronation Street. 8.00 You're Only Young Twice. 8.30 World in Action. 9.00 Strangers. 10.00 News. 10.10 Appointment with Fear: 'The Champagne Murders' starring Anthony Perkins. 10.15 am Blake read by James Coyle. All IBA Regions as London except at the following times:

ANGLIA

10.20 am Friends of Maa. 10.40 Record Makers. 11.30 Following the Fish. 12.30 pm The Open Air. 1.30 Monday Matinee. 2.30 Monday Matinee. 3.30 Monday Matinee. 4.30 Monday Matinee. 5.30 Monday Matinee. 6.30 Monday Matinee. 7.30 Monday Matinee. 8.30 Monday Matinee. 9.30 Monday Matinee. 10.30 Monday Matinee. 11.30 Monday Matinee. 12.30 Monday Matinee. 1.30 Monday Matinee. 2.30 Monday Matinee. 3.30 Monday Matinee. 4.30 Monday Matinee. 5.30 Monday Matinee. 6.30 Monday Matinee. 7.30 Monday Matinee. 8.30 Monday Matinee. 9.30 Monday Matinee. 10.30 Monday Matinee. 11.30 Monday Matinee. 12.30 Monday Matinee. 1.30 Monday Matinee. 2.30 Monday Matinee. 3.30 Monday Matinee. 4.30 Monday Matinee. 5.30 Monday Matinee. 6.30 Monday Matinee. 7.30 Monday Matinee. 8.30 Monday Matinee. 9.30 Monday Matinee. 10.30 Monday Matinee. 11.30 Monday Matinee. 12.30 Monday Matinee. 1.30 Monday Matinee. 2.30 Monday Matinee. 3.30 Monday Matinee. 4.30 Monday Matinee. 5.30 Monday Matinee. 6.30 Monday Matinee. 7.30 Monday Matinee. 8.30 Monday Matinee. 9.30 Monday Matinee. 10.30 Monday Matinee. 11.30 Monday Matinee. 12.30 Monday Matinee. 1.30 Monday Matinee. 2.30 Monday Matinee. 3.30 Monday Matinee. 4.30 Monday Matinee. 5.30 Monday Matinee. 6.30 Monday Matinee. 7.30 Monday Matinee. 8.30 Monday Matinee. 9.30 Monday Matinee. 10.30 Monday Matinee. 11.30 Monday Matinee. 12.30 Monday Matinee. 1.30 Monday Matinee. 2.30 Monday Matinee. 3.30 Monday Matinee. 4.30 Monday Matinee. 5.30 Monday Matinee. 6.30 Monday Matinee. 7.30 Monday Matinee. 8.30 Monday Matinee. 9.30 Monday Matinee. 10.30 Monday Matinee. 11.30 Monday Matinee. 12.30 Monday Matinee. 1.30 Monday Matinee. 2.30 Monday Matinee. 3.30 Monday Matinee. 4.30 Monday Matinee. 5.30 Monday Matinee. 6.30 Monday Matinee. 7.30 Monday Matinee. 8.30 Monday Matinee. 9.30 Monday Matinee. 10.30 Monday Matinee. 11.30 Monday Matinee. 12.30 Monday Matinee. 1.30 Monday Matinee. 2.30 Monday Matinee. 3.30 Monday Matinee. 4.30 Monday Matinee. 5.30 Monday Matinee. 6.30 Monday Matinee. 7.30 Monday Matinee. 8.30 Monday Matinee. 9.30 Monday Matinee. 10.30 Monday Matinee. 11.30 Monday Matinee. 12.30 Monday Matinee. 1.30 Monday Matinee. 2.30 Monday Matinee. 3.30 Monday Matinee. 4.30 Monday Matinee. 5.30 Monday Matinee. 6.30 Monday Matinee. 7.30 Monday Matinee. 8.30 Monday Matinee. 9.30 Monday Matinee. 10.30 Monday Matinee. 11.30 Monday Matinee. 12.30 Monday Matinee. 1.30 Monday Matinee. 2.30 Monday Matinee. 3.30 Monday Matinee. 4.30 Monday Matinee. 5.30 Monday Matinee. 6.30 Monday Matinee. 7.30 Monday Matinee. 8.30 Monday Matinee. 9.30 Monday Matinee. 10.30 Monday Matinee. 11.30 Monday Matinee. 12.30 Monday Matinee. 1.30 Monday Matinee. 2.30 Monday Matinee. 3.30 Monday Matinee. 4.30 Monday Matinee. 5.30 Monday Matinee. 6.30 Monday Matinee. 7.30 Monday Matinee. 8.30 Monday Matinee. 9.30 Monday Matinee. 10.30 Monday Matinee. 11.30 Monday Matinee. 12.30 Monday Matinee. 1.30 Monday Matinee. 2.30 Monday Matinee. 3.30 Monday Matinee. 4.30 Monday Matinee. 5.30 Monday Matinee. 6.30 Monday Matinee. 7.30 Monday Matinee. 8.30 Monday Matinee. 9.30 Monday Matinee. 10.30 Monday Matinee. 11.30 Monday Matinee. 12.30 Monday Matinee. 1.30 Monday Matinee. 2.30 Monday Matinee. 3.30 Monday Matinee. 4.30 Monday Matinee. 5.30 Monday Matinee. 6.30 Monday Matinee. 7.30 Monday Matinee. 8.30 Monday Matinee. 9.30 Monday Matinee. 10.30 Monday Matinee. 11.30 Monday Matinee. 12.30 Monday Matinee. 1.30 Monday Matinee. 2.30 Monday Matinee. 3.30 Monday Matinee. 4.30 Monday Matinee. 5.30 Monday Matinee. 6.30 Monday Matinee. 7.30 Monday Matinee. 8.30 Monday Matinee. 9.30 Monday Matinee. 10.30 Monday Matinee. 11.30 Monday Matinee. 12.30 Monday Matinee. 1.30 Monday Matinee. 2.30 Monday Matinee. 3.30 Monday Matinee. 4.30 Monday Matinee. 5.30 Monday Matinee. 6.30 Monday Matinee. 7.30 Monday Matinee. 8.30 Monday Matinee. 9.30 Monday Matinee. 10.30 Monday Matinee. 11.30 Monday Matinee. 12.30 Monday Matinee. 1.30 Monday Matinee. 2.30 Monday Matinee. 3.30 Monday Matinee. 4.30 Monday Matinee. 5.30 Monday Matinee. 6.30 Monday Matinee. 7.30 Monday Matinee. 8.30 Monday Matinee. 9.30 Monday Matinee. 10.30 Monday Matinee. 11.30 Monday Matinee. 12.30 Monday Matinee. 1.30 Monday Matinee. 2.30 Monday Matinee. 3.30 Monday Matinee. 4.30 Monday Matinee. 5.30 Monday Matinee. 6.30 Monday Matinee. 7.30 Monday Matinee. 8.30 Monday Matinee. 9.30 Monday Matinee. 10.30 Monday Matinee. 11.30 Monday Matinee. 12.30 Monday Matinee. 1.30 Monday Matinee. 2.30 Monday Matinee. 3.30 Monday Matinee. 4.30 Monday Matinee. 5.30 Monday Matinee. 6.3

Spoletto Festival in Charleston

by ANDREW PORTER

Menotti launched his Festival of Two Worlds in the Tuscan hill town of Spoleto in 1958. Last year, a New World branch of the festival began in Charleston, South Carolina. Charleston, founded in 1670, is an attractive place. In the words of the 1911 *Britannica*, which still holds true, "the streets are shaded with the live oak and the linden, and are ornamented with the palmetto; and the quaint specimens of colonial architecture, numerous piazzas, and flower gardens made beautiful with magnolias, palmettes, azaleas, jessamines, camellias and roses give the city a peculiarly picturesque character." It lies on a low peninsula at the confluence of the Ashley and Cooper rivers. Upstream, there are 18th-century plantations—the Palladium, Drayton Hall, Middleton Place with its vast formal gardens in the grand manner, recreated in the rich vegetation of the South—to be visited.

Charleston once vied with New Orleans and Boston as a glittering colonial capital. The first opera given in North America was done here, in 1735. Kean and Macready played regular seasons. Thackeray wrote appreciatively of the place. Today it has two World Festival theatres, neither of them old, although the Dock Street Theatre, holding 450, is an attractive reconstruction of a Georgian playhouse. The Municipal Auditorium is an ugly modern building holding 2,700, which would be considered large in Europe but is about standard for an American opera-house. Other events take place in the city's numerous churches, and out-of-doors.

"Spoleto Festival U.S.A." as it is called—which is based on Charleston—seems to be the first American festival on the common European pattern: densely packed days of music, drama, and dance; of exhibitions, lectures, pageants, and parties; of sunshine, celebration, and shared by inhabitants and their visitors; and of short shovels easily borne because there is plenty to see and hear indoors. The place is not Spoleto; it has no natural centre, nothing corresponding to that Piazza del Duomo on which stands the cathedral, a theatre, palaces, cafés, restaurants, and the festival offices; no Pavilion, Pump Room, or Assembly Rooms. But it is a good festival city; small enough to get around in on foot, and always interesting to the eye.

The regular events are noon-time chamber concerts—in-



Henry Price and Johanna Meier in "Vanessa"

formal, as the Spoleto ones are, but less adventurous in Spoleto, Jesse Norman, Pinchas Zukerman, Christoph Eschenbach for the first time in Charleston, the musicals are drawn from a pool of admirable but familiar young New York players; afternoon intermissions in one of the churches; long outdoor big-band jazz sessions; and opera, drama, and dance at night. Last year two operas were done, *The Queen of Spades* (the 1978 Spoleto production, by Filippo Sanjust, remounted in English) and *Vanessa*, which was rather well received. The festival was a success. This year, it expanded from 13 days to 18 and included four operatic bills, but there was a drop in performance standards. In particular, the student choruses and orchestra, the student vocalists, Choir and the Festival Orchestra of

Ciesinski. Miss Ciesinski was a festival discovery. But what a pointless and tiresome piece of synthetic schmaltz the opera is.

A cut-down version of Donizetti's *Il furioso all'isola di San Domingo*—abridged and instrumentally reduced—was squeezed into the Dock Street Theatre. It furioso, which followed *Le ciarlatan* in Donizetti's catalogue, combines its fresh, graceful inventions with elements of his high dramatic manner to form an engaging, unusual and interesting opera semiseria. But its merits were obscured in the Charleston production—as they had been in the similar Spoleto production while he was in these pages in 1967. The staging was amateurish; the singing was patchy and mostly poor; and it was idiotic for this unfamiliar work to be sung to an American audience, by American singers, in English.

In Spoleto, Menotti kept his own music off the bills for 10 years. In Charleston, last year's *Contra Altus* was a success, this year, by a pair of Menotti "church parables," *The Egg and the Marble* and *The Egg and the Marble*. *The Egg and the Marble* is a red-hot poker is brought home and closer to death, a little orphan boy's eyes, but it is a distasteful work. (Shortly before the festival, another Menotti one-act, *The Trial of the Goats*, was given in New York; this also struck me as a trashy piece.)

I enjoyed my stay in the city. I heard some chamber music on a decent, if seldom on a really distinguished, level. But Charleston cannot yet be mentioned in a breath with Spoleto itself, with Aldeburgh (if Richter or Rostropovich were to play in Charleston, it would probably be in the small-town festival of that through imaginative planning and imaginative commissions come to international attention. From a musical point of view, the festival was a wash-out so far as value was concerned. That first opera ever done in America was *Florida* or *Hob in the Well*, a belated opera with a text variously attributed to Colley Cibber and John Hippisley. Perhaps that's something the Dock Street Theatre should consider for next year. It held the stage in the 18th century. And what about the symphony *Charleston* by the local composer Edmond S. T. Jenkins (1894-1928), which had its first performance in the Ostend Kur-saal.

Greenwich

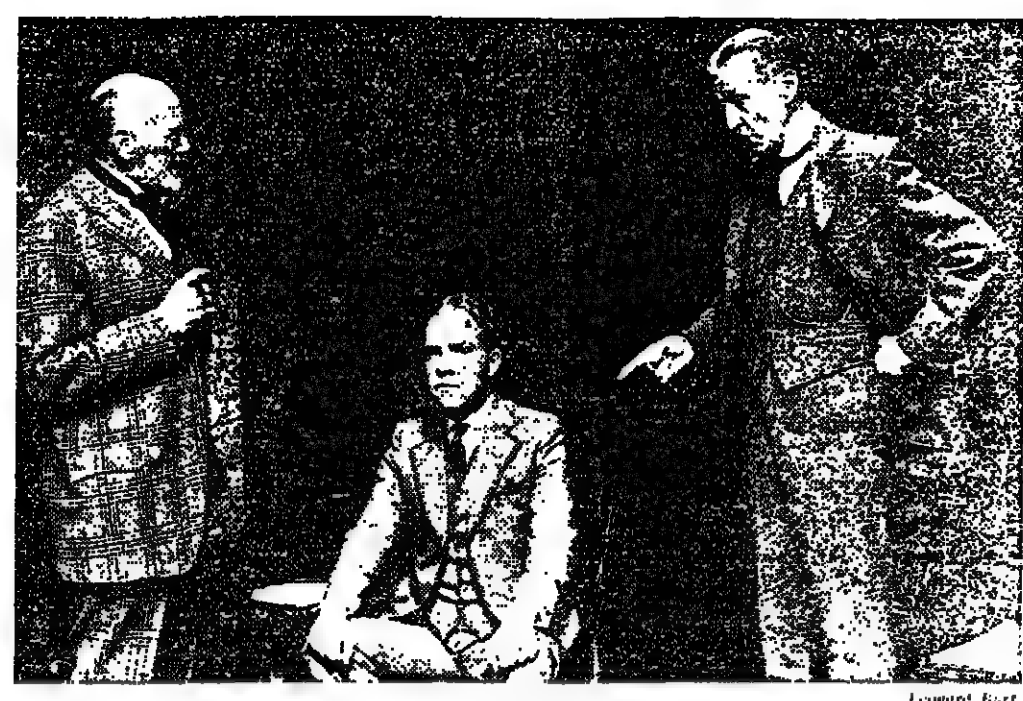
Hindle Wakes

by MICHAEL COVENEY

The Hornman season—and Ewan Hooper's interestingly eclectic reign at this address—is closed with a carefully affectionate revival by Robert Kidd of Stanley Houghton's 1912 Lancashire comedy. The play was a major success of the new repertoire movement at the Manchester Gaiety, by its transfer to London, with Sybil Thorndike as the religious fiancée, virtually killed off the flourishing outpost.

The Bank Holiday wakes are disrupted by the revelation that Fanny Hawthorn has been off on a dirty week-end in Llandudno with the mill-owner's son while her parents believed her to be in Blackpool with a girl friend. That friend has been killed in a boating accident about which Fanny knows nothing until marching briskly in a domestic scene pregnant with inquisitive apprehension. From this point on, the Hawthorn parents enter into cabots with the wealthy Jeffcoates in an effort to decide the fate of the young couple.

The respective fathers are old friends separated in social rank only by Jeffcoate's success as a man of power. Hawthorn, who arrives at the palatial breakfast room to push his daughter's claim for a suddenly desirable match, reversing the usual fictional scheme of wealthy young man too much in love to heed the social requirements of status. Houghton invests old Jeffcoate with a strong moral line that in-



Arthur Lovegrove, Tom Chadbon and Mark Dignam

sists on Alan doing the right thing by Fanny and forfeiting his inheritance.

But the elders reckon without the two girls, both of whom manage to reject Alan's suit as he shuffles weakly between them to have his idea of promiscuity as a socialising male prerogative rudely shattered. The play has a feminine ending in more ways than one, as Mrs. Jeffcoate weakly

reports that Beatrice, who has urged Alan to marry Fanny by way of a magnificent sacrifice, will, after all, receive him once more. Fanny's refusal is a rousingly explained in her confession that the Llandudno escapade was, as it was for Alan, a mere lark and nothing to do with love.

The piece may have dated, but not irrevocably. The superior

family are well played by Mark Dignam, Tom Chadbon and Clare Kelly, while John Gill and Anne Dymond are ideally cast as the Hawthorns. Frances Viner, a fine Beatrice Bryant at the Shaw recently, contributes another strong study in bourgeois independence. There is a comfortable setting by Geoffrey Scott and appropriate lighting by Nick Chelton.

Covent Garden

Luisa Miller

by MAX LOPPERT

It is wonderful to have Luisa Miller at Covent Garden, doubly so when a simple, tasteful staging serves Verdi's opera with the kind of unassuming dignity we have learned not to expect from most of today's opera producers. A feature of all Filippo Sanjust's shows is their subtle, poetic lighting (undertaken by the producer-designer himself)—this is, unfortunately, something that can be expected to decay swiftly in the new revivals. On Saturday, with a new tenor and baritone on the cast, almost everything on stage looked well, and went well.

José Carreras was born to play the gentle, more romantic of the Verdi tenor heroes, and to fill their music with lambent, velvety tones and a natural ardour of feeling. That ardour, in the playing as in the singing, is generalised. There is no noticeable difference between Mr. Carreras's Rodolfo here, and his Don Carlos, Alfredo, or Oriente on other occasions. His hand movements, stance, the set of facial expression, are all familiar. But since

the Spanish tenor throws himself into all his roles with a passionate sincerity, and since he sings the music so winningly, one warms to him as much as ever. He wears his own hair, amidst a gathering of fully professional, with peculiar effect on the costume.

As Miller, Giorgio Zancanaro was introducing himself to the house. He is a forward, firm Italian baritone of very acceptable quality, but without the gift, especially in the great third-act duet, of drawing from the music the full range of tone colours it so richly rewards. There are also opportunities for set singing in the part left under-explored (the same might be said of Mr. Carreras and "Quando le sere"). He tended to straggle a little, but not sequentially in the first act, and to lapse into blankness of demeanour in the last—Miller is a more tragic figure than he allows.

Similarly, the scheming Count Walter, who sits enthroned comfortably on the reserved, gentlemanly stage persona of

Gwynne Howell (returned to health after missing the first night of the run), though his singing was always ample and clearly focused. Let there be another bouquet of praise for Kadja Ricciarelli in the title role: her fine-grained soprano shone on the stage like a bene-

diction. (If only she made more of the words, what an artist she would be.) All the elements of a deeply moving performance were present; but it needed a more "vocal," more yielding, less superlatively brilliant conductor than Lorin Maazel to compound them.

Wigmore Hall

Peter Katin

by DAVID MURRAY

Mr. Katin's recital Saturday night, on behalf of the Campaign for Homosexual Equality, was devoted to Chopin. All major dramatic contrasts toward a Chopin, in the sense of being original and unimprovable even if brief—and the pianist undertook it all with due consciousness. Mr. Katin is not notable for his imaginative abandon, but his musical powers were admirably exercised upon this substantial programme (for which his own notes offered a useful guide to his intentions). He made an evening of solid rewards, virtues were most persuasive in the earliest piece here, the D-flat Nocturne Op. 27 No. 2, held in ecstatic suspension, and in the first movement of the B minor Sonata, big-boned and faultily organised. The Scherzo was fleet and extra-largo. The Largo full of grave warmth; it seems to me that there is more saturnine ferocity in the Finale than Katin's view of it includes ("strongly rhythmic" and "triumphant and heroic"), and I found it excessively mild. But "tremendous dignity and purpose" was an epithet well earned.

St. John's, Smith Square

Orchestra of St. John's

by RONALD CRICHTON

The ten-day Festival in honour of the 250th anniversary of the church ended on Saturday with a concert sponsored by BAT Industries, by the eponymous orchestra. The programme celebrated the season we aren't having with a complete airing of Mendelssohn's *A Midsummer Night's Dream* music, not only the Overture and the lovely numbers familiar in the concert hall but every little flick and flourish he inserted in the comedy.

Too much: read devoutly and carefully, with much life, the slab of text went frigid, the words difficult to catch—the experience was totally untheatrical. Divorced from the staging (and from the German version of the play) for which Mendelssohn conceived them, the wispier fragments and nothing. The latter sections, however including the Inter-

mezzo and the mock-funeral March) gave pleasure under John Lubbock's sympathetic direction. The vocal soloists were Alison Hargan and Diana Montague. Prospect Music Group provided the chorus. The home-bought event came at the end with a delightful performance by Sesto Bruscantini of Cimarosa's *Il Maestro di cappella*. In this short piece, an understable favourite with buffo baritones, an ageing singer deviously tries to shift the blame for his own shortcomings to the players in the orchestra. With a self-indulgent performer, it can go tedious. With Bruscantini, whose mellow tones exude a feeling of well-being, whose timing is masterly, who makes his points mentally and musically, without forcing, it was a treat to watch and to hear. Even these, the works were clear. Mr. Lubbock and the orchestra provided worthy support.

Others include Lionel Hampton, Dizzy Gillespie, Mary Lou Williams, Jonah Jones, Bob Diddley, J. J. Johnson, Illinois Jacquet, Bob Hargart, Bud Freeman, Marian McPartland, Lee Konitz and Bill Evans.

Guildhall School of Music

Shell/LSO finalists

by ARTHUR JACOBS

"I cannot think of a nicer anniversary present," said André Previn referring to his current celebration of ten years with the London Symphony Orchestra. "I have to be so assured of the future of this orchestra and its playing." He was announcing the adjudication of the Shell/LSO Music Scholarship after all six of the young finalists had played during a three-hour session before an invited audience on Saturday evening.

Last year the scholarship was awarded for wind instruments; the winner, the oboist Julia Girwood, has since appeared as soloist with the LSO itself. This year, again with preliminary rounds held in provincial centres, the competition was for strings and had attracted over 200 entries. Four violinists, a cellist and a double-bassist reached the final, with a first prize of £20,000 in view. Jacqueline du Pré was on the jury, as well as Mr. Previn and principal players from the orchestra.

Whether or not the shortage of good young string-players for recruitment into British orchestras is really about to be overcome, there was certainly a fine display of talent here. But how is choice to be made between potential and achievement, between a 15-year-old still at school and a 21-year-old at the end of conservatory training? Disagreeing with last year's choice of winner, I complained in these columns that no criteria of judgment were stated. Evidently sensitive to such complaints, Gerald McDonald, administrator of the scholarship, has this time stated in the printed programme four main criteria which may be sum-

marised as: technical skill on the instrument, grip on the audience, innate musicality, and potential for development. Even those four criteria, it seems to me, are unweighted and merely shuffled at random, and I could not declare myself happy with the result.

With a section of the LSO conducted by John Georgiadis, each finalist performed part of a prescribed concerto followed by a piece with piano (or unaccompanied) of his or her own choice. Ravel's *Tzigane*, splendidly delivered, was the choice of the winner, Julia Stamenova, a 19-year-old Bulgarian violinist, in her second year of study at the Guildhall School of Music. The runner-up was another violinist Duncan Riddell (18), and equal third awards were given to a 15-year-old cellist, Gillian Matthews, and to a 21-year-old double bassist George Peniston who tackled the rarity of a concerto by Cimarosa, an Italian composer who died in Bath in 1808.

What made me unhappy was that no prize went to 21-year-old Pauline Lacey, who, in my opinion played her Mozart violin concerto with far more strength of feeling (and undoubtedly bigger tone) than Miss Stamenova and then performed Disraeli's *Violin Concerto* not merely with admirable technical resource and an appreciation of structure, but with a rare insight into the harmonic implications of its spaced-out line. I expect Miss Lacey, as well as Miss Stamenova and Mr. Riddell, to progress to a distinguished career.

Newport Jazz Festival comes to Middlesbrough

One of the most ambitious jazz festivals ever staged in Britain takes place on July 21, 22 and 23 at Ayresome Park Stadium, home of Middlesbrough FC. Sponsored and organised by the Leisure and Amenities Department of Cleveland County Council the event will bring some of the biggest names in jazz to the north-east of England for the first time. Ello Fitzgerald, Oscar Peterson and Buddy Rich are just three of the major names signed.

Others include Lionel Hampton, Dizzy Gillespie, Mary Lou Williams, Jonah Jones, Bob Diddley, J. J. Johnson, Illinois Jacquet, Bob Hargart, Bud Freeman, Marian McPartland, Lee Konitz and Bill Evans.

As well as the American stars, the festival will also feature many of Britain's leading jazz men including Chris Barber, Acker Bilk, Stan Tracey, George Melly, and the National Youth Jazz Orchestra.

Late-night jazz sessions will be held in six different venues in Cleveland. Each of the main concerts will have a British jazz figure as compère, one of whom will be George Melly. Tickets will be priced from £1 to £7, with a season ticket of £25 to be offered for all five concerts during the week-end. Travel operators will be offering tours to Cleveland from Scandinavia and northern Europe, and the council is arranging for camping and caravan sites to be available for "budget" travellers.

Arts Council to increase value of literary prizes

Because of the serious erosion through inflation of the value of some of the smaller literary prizes administered by the Society of Authors, the Royal Society of Literature and other bodies, the Arts Council has decided to make funds available from its Literature allocation to increase the value of these prizes.

The Trustees of any prize whose value is below £1,000 will be invited to apply for grants to enable them to increase the prize to £1,000 and also to help cover their judging and administration costs. Small prizes below £500 will be eligible for grants to bring them up to £500. The Council has confirmed its policy of not itself offering literary prizes.

ENTERTAINMENT GUIDE

CC—These theatres accept certain credit cards by telephone or at box office

OPERA & BALLET

COVENT GARDEN, CC. 240 1066. (Garageage) credit cards 836 6903. Tonight & Sat. next at 7.30: *Pelleas et Melisande*. Mon. & Tues. 8.00: *Die Walküre*. Wed. & Thurs. 8.00: *Die Walküre*. Fri. & Sat. 8.00: *Die Walküre*. Sun. 8.00: *Die Walküre*. **GLYNBOURNE, FESTIVAL OPERA.** 1977-78. Party Races. Philharmonic Orchestra. Thurs. 8.00: *Die Walküre*. Fri. 8.00: *Die Walküre*. Sat. 8.00: *Die Walküre*. Sun. 8.00: *Die Walküre*. **SALEH'S WELLS THEATRE.** Rosebery. 1977-78. Party Races. Thurs. 8.00: *Die Walküre*. Fri. 8.00: *Die Walküre*. Sat. 8.00: *Die Walküre*. Sun. 8.00: *Die Walküre*.

THEATRES

ADOLPH THEATRE, CC. 01-836 7611. Thurs. 8.00: *Die Walküre*. Fri. 8.00: *Die Walküre*. Sat. 8.00: *Die Walküre*. Sun. 8.00: *Die Walküre*. **ALICE, CC.** 01-836 7611. Thurs. 8.00: *Die Walküre*. Fri. 8.00: *Die Walküre*. Sat. 8.00: *Die Walküre*. Sun. 8.00: *Die Walküre*. **ALICE, CC.** 01-836 7611. Thurs. 8.00: *Die Walküre*. Fri. 8.00: *Die Walküre*. Sat. 8.00: *Die Walküre*. Sun. 8.00: *Die Walküre*.

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CHICHESTER. 0243 81312. Tonight, July 7 & 8 at 7.00: *Die Walküre*. **CHICHESTER.** 0243 81312. Tonight, July 7 & 8 at 7.00: *Die Walküre*. **CHICHESTER.** 0243 81312. Tonight, July 7 & 8 at 7.00: *Die Walküre*.

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THEATRES

Competition in the air

THE AGREEMENT reached at the Montreal meeting of the International Air Transport Association over the weekend will be widely regarded as a victory for the consumer over an old-fashioned cartel. More accurately, it marks the recognition by the leading international airlines that the traditional approach to fixing fares is inappropriate in the new era of mass air travel in which non-scheduled carriers, encouraged by governments, have led the drive for sharply lower fares. It may have been Laker Airways which lit the fuse, but some sort of explosion, sweeping away many of the restrictive practices which have characterised the airline industry for so long, had become inevitable.

Charter airlines

The change of attitude among the scheduled carriers was apparent at the IATA meeting in Madrid last November. The director-general, Mr. Kaut Hammar-skjold, warned that the regulatory system was on the verge of collapse. "The forces of stability and order on the one hand, and of laissez-faire on the other, have been confronting each other," he said. "The scheduled operators are caught in the middle." Mr. Hammar-skjold pointed out that pressure from governments and from consumerist movements appears to be favouring the non-IATA airlines at the expense of IATA members and that charter airlines were being given preference over scheduled operators. These comments reflected a general dissatisfaction which led to the creation of a five-man committee charged with the task of working out a new approach.

The committee, which completed its work earlier this year, called for a re-definition of membership of the Association; the adoption of a more open and accessible system of fares-fixing; cuts in the number of rules regulating in-flight service; and greater flexibility in the development of innovative fares. Two categories of IATA membership were proposed: one would involve participation in the normal "trade association" work, covering safety, technical, legal and other procedural matters, while the other, which would be optional, would involve participation in the negotiation of fares and rates.

Arms control edges ahead

THE FIRST United Nations special session on disarmament has turned out to be a more worthwhile event than was generally expected when it opened amid much cynicism more than five weeks ago.

As at all United Nations gatherings, there has been a strong propaganda element. But the outcome has not been nearly so negative as many Western Governments had feared. Indeed many of the delegates who left New York at the weekend have been permitting themselves some modest self-congratulation.

Conventional

The West, of course, did not have it all its own way. The 28-page final document approved on Friday concentrates heavily, some would say excessively, on the need for nuclear disarmament. That is a laudable aim. But Governments like the British and American would have preferred to see equivalent attention paid to the need to limit conventional weapons, tackle the international arms trade and prevent the further proliferation of nuclear weapons.

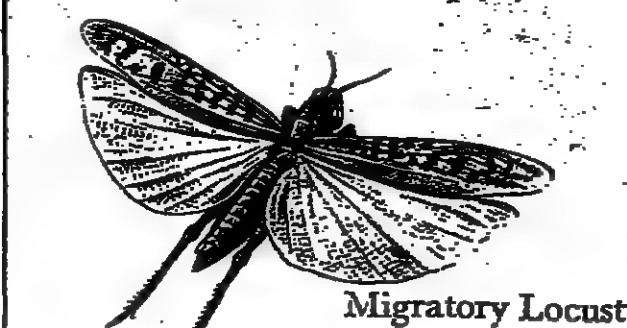
The session's main achievement was undoubtedly the agreement to restructure the Geneva negotiating machinery so as to allow France to take its place at the table and open the way for China to do so at a later date.

It has long been clear that the previous arrangements were unsatisfactory. In the first place, the composition of the 31-nation conference was too heavily weighted in favour of industrialised countries to the evident distaste of the non-aligned nations. In the second, the arrangement under which Moscow and Washington shared the chairmanship between them smacked of super-power domination.

Following last week's agreement the conference is to be renamed and expanded to include more neutral and non-aligned participants. The chairmanship will henceforth rotate among all the 40 or so members, issue.

Regrettable

It would be regrettable if this clash of philosophies were to lead to a new round of international squabbles about air fares, undermining the progress which has been achieved at Montreal. No one is suggesting, even in the U.S., that the world airline industry can be completely deregulated; for all sorts of reasons governments will continue to intervene extensively in its affairs. But the task of reconciling competition and regulation is not easy. The airlines have shown they are prepared to dispense with artificial restraints on competition and it is up to governments to bring their approach to regulation up to date, in the interests of the consumer.



Migratory Locust

THE WAR against huge desert locust swarms which have built up in the area around the Red Sea and the Gulf of Aden has entered a critical phase after seven months. The chances of fending off what is potentially one of eastern Africa's biggest ever crop disasters are diminishing daily.

To the south of the Red Sea the attempt to confine the swarms to north-eastern Ethiopia, Djibouti and north-western Somalia seems to have failed. A new campaign farther south in the Ogaden to stop them spreading still more, is already being planned, and a third, even farther south in Kenya, is thought likely to be necessary.

Some scheduled airlines outside the U.S., even those which supported the IATA reforms, are apprehensive about the application of this philosophy in an undiluted form to international markets. There are fears that U.S. opposition to the control of capacity, for example, could lead to fierce price-cutting and undermine airline profitability. It is also pointed out that state-owned airlines are subject to social and political pressures which do not apply to the private enterprise carriers within the U.S.

Since then only a short-lived plague in 1965 has interrupted a falling off of the locust danger. Altogether there have been some seven or eight plagues this century. The first recorded threats go back at least 4,500 years, making the locust probably the most studied insect of all—hence the ability has been built up to plan battle strategies and campaigns, often highly successfully if the conditions are right.

Over the past year, however, conditions have been anything but "right," save for the locusts. Prolonged and widespread rainfall in the Red Sea

Quiescent decade

The Eastern conflict, which has also hampered control in recent years though to a lesser degree, similarly complicates the problem. And to the north of the Red Sea control will also be more difficult as a result of last month's assassination of North Yemen's leader and the subsequent coup in South Yemen. Elsewhere the wars in Chad and the Spanish Sahara could pose further problems if the locusts spread westwards in great numbers.

On top of this, a decade of quiescence has allowed local ground control machinery in many parts of the Horn to grow rusty. As a result responsibility has effectively passed from local organisations to the Desert Locust Control Organisation of Eastern Africa (DLCOE), an international grouping of seven countries (Ethiopia, Somalia, Kenya, Tanzania, Sudan, Djibouti and Uganda) which has its headquarters in Addis Ababa and an aircraft base in Nairobi. But DLCOE, with its modest \$2.3m budget, has its own limitations.

Of the DLCOE's seven aircraft—the key to locust control—two are British-Norman Islanders given by the British Government late last year and have still not been adapted for front-line spraying operations. The rest, old Beavers, are used either to spray the vegetation

around the young wingless nymphs (or "hoppers") with Dieldrin insecticide as they march off bands on the ground, or to spray the adult migrating swarms with Dieldrin or Fenitrothion.

Because these efforts have not been adequately reinforced with ground operations against the hoppers (using benzene hexachloride poison-bait) and with a reliable system of monitoring (since satellite surveillance can as yet be of only modest help), two or three generations of locusts have been allowed to breed in the Red Sea and Gulf of Aden area which, at 100-200 eggs a locust, has produced probably 1,000 times more locusts than if effective control measures could have been taken. The increasing numbers have in turn stretched the system to its limit.

According to estimates emerging from the UN Food and Agriculture Organisation (FAO), which is helping the DLCOE co-ordinate the battle against the locusts, a plague could cost \$15m-\$20m worth of crops at risk. Against this reckoning must be set the fact that the locusts would not eat

of fresh food each day (23 grams), and a swarm 1 sq km in size contains anything from 40m-50m locusts (which adds up to 100-200 tonnes of food a day). Latest figures from the Horn show that four large swarms in Somalia (one of them put at no less than 400 sq km), together with 11 smaller ones, cover a total area of 1,560 sq km. Recent reports have put the number of swarms in Ethiopia at 50.

Even discounting generously for inaccurate estimates, this means that possibly hundreds of thousands of tonnes of vegetation are now being devoured every day. In north-western Somalia, where no crops are grown and people live nomadic existences, taking their animals from pasture to pasture, the



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ing conditions, and the multiplying numbers are compounded further by a diminishing food supply, particularly as the rains recede.

The locusts migrate in the prevailing winds during the day, settling in the evening, staying together and, uncontrolled, perhaps spreading into a plague if the conditions are right. The locust cycle lasts about three months before repeating itself, the eggs taking two weeks to develop and the hoppers acquiring wings after several moultings over five to six weeks.

Before chemical control came into fashion, the locusts were warded off with noise and fire. Some control was possible, either by exposing the locusts' eggs to air—they need water in the soil to develop, hence the locusts' search for rain—or by trapping the marching hoppers in trenches and burning them there.

Statistics documenting the locusts' voraciousness indicate what an impressive dent they could make in a developing economy. Individual locusts need to eat their own weight

insects are eating the crops. In Ethiopia the locusts have almost certainly attacked the crops grown by settled locusts. If it falls to rain, the locusts will move on to a place where it does. In that event the most likely battleground—and the highlands, which also happen to be well-covered, they tend to settle for days instead of merely overnight and wreak enormous damage.

Further south, Somalia is concerned about incursions that little later, in late October, could be made into the banana plantations which provide the country's main cash crop. Kenya, which has activated its emergency committee, is also threatened. The locusts do not like it, but when they settle, the trees break under the heavy weight of the swarm.

Although Britain has agreed to supply the DLCOE with Land Rovers equipped with spraying (eight of which are due to be handed over by the end of this month) and promised two more aircraft, although the FAO has asked for \$4m from international sources to fight the locusts, the most recent pronouncements from DLCOE are pessimistic.

Mr. Adelphi Schellu, DLCOE's recently estimated that 50 lorries, 60 Land Rover 100 sets of camping equipment and 100,000 litres of additional insecticide were needed. Early Mr. John Molecia, the DLCOE chairman and Tanzanian Minister of Agriculture, appealed for international aid.

As the battle to head off the locust threat to the south goes on, countries east of the Horn are gearing up for their own defence. In India the Locust Control Organisation has begun action in the Bangassanthe district of Gujarat state, an neighbouring states, especially Rajasthan, have been alerted. Pakistan is preparing itself to

the south-east and of others on the Arabian sea which they have had to sail through. Locust movements all along the coast of the Arabian peninsula are being closely followed. If these efforts fail and the present threat turns into a plague, there is no guarantee that it will be short-lived. Every chance that it will dislocate and disrupt both fledgling and developing economies. In the case of the Horn, the locust have already brought hardship upon hardship. The irony there is that without the widespread and prolonged rainfall that produced the heavy breeding in the first place, there might have been still fewer crops to be eaten and still fewer pastures for the cattle of the Somali nomads.

British help

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MEN AND MATTERS

Capitalists of the world unite

Saturday, you may be interested to learn, was Free Enterprise Day—or so I was told by those tireless crusaders, Aims for Freedom and Enterprise. Today, Aims is presenting its 1978 "free enterprise awards" to Sir Marcus Sleaf of Marks and Spencer, and to journalist Paul Johnson and sundry others. These presentations come after the first fully international conference which Aims has staged since its formation was backed by Lord Beaverbrook at a wartime dinner party. Since then, it has battled away against nationalisation on the home front. But the 95 delegates who spent the weekend talking at the Washington Hotel in Curzon Street, Mayfair, were interested in declaring war on a wider scale.

One of those present was the Soviet dissident writer, Vladimir Maximov. I asked him why he was at a conference seeking to improve the workings of capitalism. "There is a strange alliance developing between capitalism and communism and I'm here to explain this is a huge mistake," Detente and peaceful co-existence were, to judge from the speeches and documents of the conference, a part of the Great Red Conspiracy.

There was a handful of retired generals and admirals around, amid a good crop of British and foreign industrialists. Michael Ivens, director of Aims, told me they were planning for action. Taylor Woodrow's Sir Frank Taylor had exhorted industrialists to put their money where their beliefs are. "I asked Ivens whether industry mainly holders ensures a broader base financed Aims' annual budget of \$300,000. Yes, he told me, there is an additional strength saying Aims had 3,500 members

No rapiers

Few people would claim that the Italian International Bank has so far been successful—and its new managing director, John Baden, is not among the few. But he told me that he had left his post as director of Samuel Montagu on Saturday because he believed that the IIB was on its way back and can be led onwards.

Like some other consortium banks, the IIB has had its share of problems. But Baden says this is because of "bad lending," in particular on property, rather than because of anything inherently wrong in the principle of consortium banking. For him, the fact of having four banks as the IIB's shareholders ensures a broader base for business; he argues that there is an additional strength saying Aims had 3,500 members

one country. In the IIB's case this, predictably, is Italy. Baden claims they have similar interests.

Baden has been given a broad mandate but plans to lead the IIB into more management of syndicated loans. It is just about to announce a \$15m five-year loan for Finmeccanica, the Italian State engineering industry. This will be its first Italian credit as lead manager, while it is also arranging a syndication for Spanish interests.

The bank plans to continue its emphasis on lira foreign exchange. Baden told me that his Italian is non-existent but that this would not be a drawback. He is also an able fencer—though he assured me that he does not expect to be using that skill in the boardroom.

Agro for agri

An unlikely international waif is what the grand old uncle of agribusiness, the Industry Co-operative Programme, has just become. For years this little-known body has been representing the interests of world-wide companies such as ICI, Massey Ferguson and Booker McConnell inside the Food and Agriculture Organisation of the UN. But last year it was unexpectedly served notice by the director-general of the FAO, Edouard Saouma. And last week its hopes of staying under a UN roof by moving from Rome to Geneva came to naught when the governing council of the UN Development Programme failed to agree on the idea.

Behind this refusal lie months of lobbying, in particular by Dan Gullis, general secretary of the International Union of Food and Allied Workers Associations. This Geneva-based office brought its campaign to a head in May when it wrote to

Questions answered about your Will

In these days it is hard to estimate what I may have to leave when the time comes. I want to be fair to close relatives; but I also want to benefit a cause close to my heart. How can I best ensure both?

Most of us have a similar problem, with inflation. The sensible course is probably to leave fixed proportions of your estate to the individuals you wish to remember—say 20% to one, 15% to another and so on—and then the residue to the cause you wish to help.

I wish to remember old people, since they seem certain to be in continued need; but their needs may change. How can I anticipate what they may be?

Help the Aged has a justified reputation for keeping well abreast of the needs of old people; and has pioneered a great deal of much-needed work for lonely, sick, hungry and despairing old people. Their trustees are especially careful to make maximum use of volunteers in daily touch with the elderly, thereby ensuring the most practical response to need and obtaining the utmost value for each bequest.

They publish two useful guides for those considering their wills; and I often commend these to clients to study in advance of consulting me. Copies may be obtained free on request by writing to: Hon. Treasurer, The Rt. Hon. Lord Maybury-King, Help the Aged, Room F73L, FREEPOST 30, London W1E 7JZ. (No stamp needed.)



Observer

FINANCIAL TIMES SURVEY

Monday July 3 1978

Property

Institutional money is having more influence on the property market than ever before, and there is a growing risk of creating an artificial prime quality market based on investment considerations rather than functional worth.

British
help

compe-
-iness),
service, specta-
enjoining action
[COMPEL]
compunc'tion, n. Pricking
science. [POINT]
compute', v.t. Reckon (number,
amount), conclude by computation
that, c. number or amount of (army
&c.) at figure. com'putable a.
reckon] computa'tion n. [L. puto
Computon®, n. used in connection
with; exclusively by Jones, Lang,
Wootton. A computerised property
service. Part of their comprehensive
International Real Estate advisory
practice.
comrade (kum'rid, kō-), n. Mate or
fellow in work or play or fighting,
equal with whom one is on familiar
terms, (usu. of males); (as prefix)
fellow-member of trade union, bene-
fit society, &c. (C. Smith). com'
radeship (kumridsh-, kō-) n.
[CHAMBER]
Com'tism, n. = POSITIVISM.
Com'tist n. [person]
con¹, v.t. (-m-). Study or learn
(lesson, book). [CAN²]

tion,
thoughts
strength by
(liquid), (fig. in
intense. concentra-
mental faculty of exclus-
tion; concentration camp (for
accommodation of political pris-
ers, internees, &c.); con'centre
a.; con'centrator n. conce-
a. (-ically), having common
(esp. of circles one enclosing
er); concentric city n. [cen-
con'cept, n. (philos.) Id
attributes common to
things (the c. horse).
n., conceiving (in a
idea; concep'tional
concep'tive a.,
conception. con-
of cc., of the n
CRIVE]

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PROPERTY II

The institutions play Monopoly

EVENTS OF the past year have confirmed a radical shift of influence within the property world. The major financial institutions have always underpinned the investment market. But these funds have now emerged as market leaders and, for better or worse, fund managers have inherited the mantle of the corporate property developers of the early 1970s, and of the individual property entrepreneurs of the 1950s and 1960s.

Having been left to shore up the ruins of the property industry after the 1973 crash, the pension funds and insurance companies—faced at the same time with the additional problems of finding a home for inflation boosted investable funds—have woken from their traditionally passive role as long-term property investors. Instead of waiting for suitable investment properties to cross their desks, fund managers have had to go out into an ever more competitive market where buying pressure has forced prices to levels that imply a distinctly optimistic view of future rental growth.

Scramble

One reaction to this scramble of institutional buying is to view property as a market like any other, where price is a simple factor of supply and demand. Open market theorists argue that the funds' cash will simply push up prices until the available supply of property is expensive enough to absorb the additional institutional money. In that event, property would hold its value as long as the institutions stayed in the market as buyers, and as long as the supply of properties was not significantly increased by another surge of development activity.

This is a persuasively simple argument. And if bricks and mortar had any intrinsic value beyond their worth as a source of rental income, or if the institutions viewed the sector as an extension of their art buying

activities—as a store of capital value rather than an income flow—the simple supply-demand equation might be good enough. As it is, however, the past year has shown plenty of examples of commercial property values being dictated more by the funds' investment requirements than by any realistic view of a building's worth as an income producing asset. And the property market is faced with the danger that the unjustified optimism of the pre-crash developers will be adopted by today's fund managers.

The imperfections of the commercial property market leave ample scope for unjustified optimism. It is easy enough to stretch rental projections for a building to suit the needs of an institutional investment committee. And a keen buyer, conscious of the competitive pressure from other funds for the relatively narrow range of institutional quality property, is naturally susceptible to favourable rental projections even though he knows full well that, unlike similar income projections for his other main forms of investment, in property even the most experienced and responsible valuer can do no more than confuse with future imponderables. There are no guaranteed income flows to discount, for today's rent may disappear into a letting void, and tomorrow's reversion may be swallowed up in necessary refurbishment costs, or killed by changed locational or building requirements.

There is no firm proof that, even with possibly as much as £1.5bn to spend on property this year, the institutions have permitted their investment requirements to influence their buying judgment. But there have been some pretty strong indications that in the heat of the 'market judgments' have become a little blurred.

Blurred judgment is one possible explanation for the paradoxical position of the past year when, although real domestic product has stubbornly refused to creep above levels

last seen during the three day week in 1974, and all the indicators of industrial production have hovered around "no change," prices for industrial property have been forced well above the heady rates of the last property boom.

Trusts

It so happens that most industrial units fall within the popular £2m to £3m price range of the growth conscious property trusts and of the local authority pension funds now scrambling to catch up with the proportions of property assets held by their big brothers in the pensions world. Now, it may simply be that the medium- and long-term outlook for industrial property rents is excellent. And it is unquestionably true that good industrial property has performed very well in relation to other forms of property in the past ten years. But it is too much to believe that this sudden passion for industrial property has spread into developments and forced site values well beyond the seemingly crazy prices paid in the early 1970s, has nothing to do with the weight of institutional money.

As long as the funds are happy to believe that they will see the levels of compound rental growth implied by recent buying yields, all well and good. If those levels prove to be too demanding, open market theorists would expect values to drop, new developments to cease, and an eventual property shortage to force rents back up to levels that would bring the buyers back in.

But now that the institutions have the lead in the market, it is possible that funds' continuing buying power, their difficulty in finding alternative homes for cash, and their policy of generally locking away properties for all time, would support an artificial market value for institutional quality property, a value that stood even further away from any underlying rental worth than it does today.

There has always been a two-tier property investment market, with premium values for properties that fall within the buying parameters set by the funds. But any further move towards an artificially supported "prime quality" market would take commercial property away from its functional role as industrial, shop or office accommodation, towards some abstract investment media, in effect a form of Penny Black stamp or Durer painting writ large, where value is dependent upon buying pressure alone. Taken to the extreme, a separate institutional investment market in this form would best be served by hermetically sealed buildings never actually used except as non-depreciating tokens of value.

If the investment market can survive on self-fulfilling projections, it is reasonable to ask whether it really matters if the funds' buy their way out of the real property world into a large-scale Monopoly game?

One answer is that it would matter for tenants, who would be asked to play this abstract investment game by accepting rent reviews that fitted the investment values of their properties rather than market rental levels. The tenants would, of course, object, and institutional property owners would either have to revise their post-purchase investment values or accept significant voids. If they eventually inherited a near monopoly of new developments they might even be able to dictate rental values as a factor of investment costs. Whatever the result the institutional lead in the market, essential during the past few years of property company degearing and general property investment market recovery, could prove to be a dangerously destabilising influence in the long run. As this lead now looks irreversible, the market will have to learn to live with it.

John Brennan
Property Correspondent



Warehouses near Heathrow recently completed by John Outrain.

A diary of the year

JUNE: An active month in the investment market. Capital and County sells its Knightsbridge estate to the British Petroleum pension fund for £45m. Bernard Sunley Investment Trust acquires Legal and General's residential properties for £15m, and Norwich Union signs to finance the £24m Queensgate shopping centre in Peterborough. The Government's White Paper on inner city renewal is published, and there are signs of an upturn in the industrial property market. King and Company's quarterly floorspace survey shows a drop in the amount of vacant factory and warehouse space for the first time since 1974. But property shares slide on disappointment over Land Securities' cautious revaluation, carried out on an equated yield of 8.66 per cent.

JULY: Norwich Union pays £20m for UK Provident's 110,000 sq ft office development in Queen Victoria Street, London, and Bernard Sunley joins with London Mercantile Corporation in the £11.25m purchase of Mapel House on Tottenham Court Road. The Combined Petroleum Pension Fund finances a £8m second phase of the Kingsfisher shopping centre in Redditch. D&G figures show a 43 per cent increase in new private industrial building orders in the May-July quarter. A revaluation of the Bank of England's surplus and legal and general's £16m for 90 per cent of County and District's Chatham shopping centre in a trend-setting "side-by-side" financing deal.

AUGUST: Minimum Lending Rate is cut by 1 point to 7½ per cent. Standard Life Assurance, in conjunction with Capital and County's accounts for the Knightsbridge for a £30m-plus, 790,000 sq ft sale, and the £11.5m sale of a 75 per cent stake in the Victoria shopping centre in Nottingham to ICI's pension fund, formed the cutting of a degearing process. Morgan Guaranty Trust give the City of London, its most spectacular letting in years when they take the whole 225,000 sq ft Angle Court office development behind the Stock Exchange Tower for around £16.50 a sq ft. Friends Provident backs Regional Properties with £8m of mortgage money.

SEPTEMBER: Peachey Property Corporation rejects a surprise £11.8m takeover bid from Allied London Properties as MPs call for an investigation into the late Sir Eric Miller's gifts to politicians. British Land reveals a complex, £50m-plus refinancing package and its shares are requested. Accountants clash with the property industry over calls for depreciation of property portfolios under new accounting standards. MLR falls to 6 per cent.

OCTOBER: Town and City Properties and Prudential Assurance sell Berkeley Square House for £37.5m to the British Rail and the Airways Joint pension funds. Barclays Bank sells the financially disastrous Astro office tower in Brussels for just over half its £35m cost, and British Land negotiates the £12m sale of its Seton Centre in Dublin to the Coal Board's pension fund. The Government announces a £150m aid programme for inner city renewal between 1979 and 1983 and talks of waiting Industrial Development Certificate controls in inner city areas. Accountants back down on the question of property company depreciation, giving the industry a year's grace before it has to conform to new reporting standards, and launching an investigation into property accounting systems. And further cuts in MLR take the rate to 5 per cent.

NOVEMBER: Barclays Bank arranges the £20m sale of the Grasshopper Property Unit Trust's portfolio to General Insurance, and in a money market, in commodities and, recently, even in fine art.

The growth in personal savings funds flowing into life and pension funds has certainly been remarkable. According to Central Statistical Office estimates on the use of personal savings funds, inflows to these institutions rose from £2.93bn in 1972 to £8.52bn in 1977. But this gives nothing like a full indication of the increase in the amount available for years of institutional takeover investment by these funds after

that pension funds and insurance companies own less than 3 per cent of farmland. MLR jumps to 7 per cent.

DECEMBER: Judge Fay's report on the Crown Agents' losses shows that property accounted for £121m of the Agents' total deficit of £195m. Bryan Davies MP introduces a Private Member's Bill to regulate estate agency and the launch of the Inner Urban Areas Bill is smoothed by news of further aid for inner cities bringing special Government support for urban renewal to £550m. Trafalgar House negotiates for the sale of three City of London properties, a direct sale to Prudential Assurance of Billiter Building for £20.5m, the £10.9m sale of its interest in Leadenhall House to Norwich Union, and the forward sales of its Wine Office Court development near Fleet Street for around £20m.

JANUARY: John Laing drops out of the £25m Eastbourne central area development leaving Town and City and its financing partner Legal and General Assurance to take over the development again. Euro-pan Ferries plans a £20m, 300,000 sq ft office scheme in Lambeth, and stockbroker Victor Sandelson launches an abortive takeover bid for the London Pavilion on the strength of redevelopment plans for the Piccadilly Circus cinema. Kenneth Gork calls in the Fraud Squad to investigate complaints about the break up of William Stern's £200m property empire. MLR out to 6½ per cent.

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plans for a 145,000 sq ft HQ building in Bishopsgate. The City Corporation adds to a chorus of cautious comments on "over-heating" in the property investment market, questioning the rent assumptions behind prime office yields of 5 per cent.

APRIL: Chancellor Healey speeds the upward move in Minimum Lending Rate with a 1 point rise to 7½ per cent incorporated in his Budget, which includes the extension of building allowances to industrialists taking leaseholds for over 50 years and additional allowances for hotel and agricultural buildings construction. Bank of England restates policy on restrictions of bank lending to the property industry. Heron Corporation and Union Assurance de Paris announce £40m redevelopment scheme for the former Figaro newspaper site on the Champs Elysees. Stock Conversation's former Turners Square development site in the London borough of Camden finally goes ahead, but Greycoat Estates and McAlpine win the council's contract. Tesco backs out of a superstore plan in Haringey after political opposition locally, but goes ahead as the store group in Legal and General, and British Rail's £13m store and freight complex development plan in Neasden, North London. Chevron Oil Service becomes the first tenant of the £15m, 35,000 sq ft Army and Navy office scheme in Victoria Street, SW1, one of the largest unit developments in Central London.

MAY: English Property Corporation announces that it was holding talks with a Continental group about a possible takeover, and John Laing and Sons reveals plans for a separate stock market quotation for its £85.5m property investment division. Despite a rise to 9 per cent in Minimum Lending Rate the property investment market is active; Pearl Assurance pays £11m to show a yield of just over 6 per cent, for the first time, of Wimpey's Wingate Centre office scheme in the City's east end, and National Westminster Bank's pension fund pays the Duke of Norfolk's estate £11m for a 125-year ground lease on the Arundel Great Court offices in London's Strand, achieving an initial yield of around 5 per cent. Peachey negotiated the sale of its £20m Park West apartment block in the West End for £20m. A letting tender for the 30,000 sq ft St. Mary's

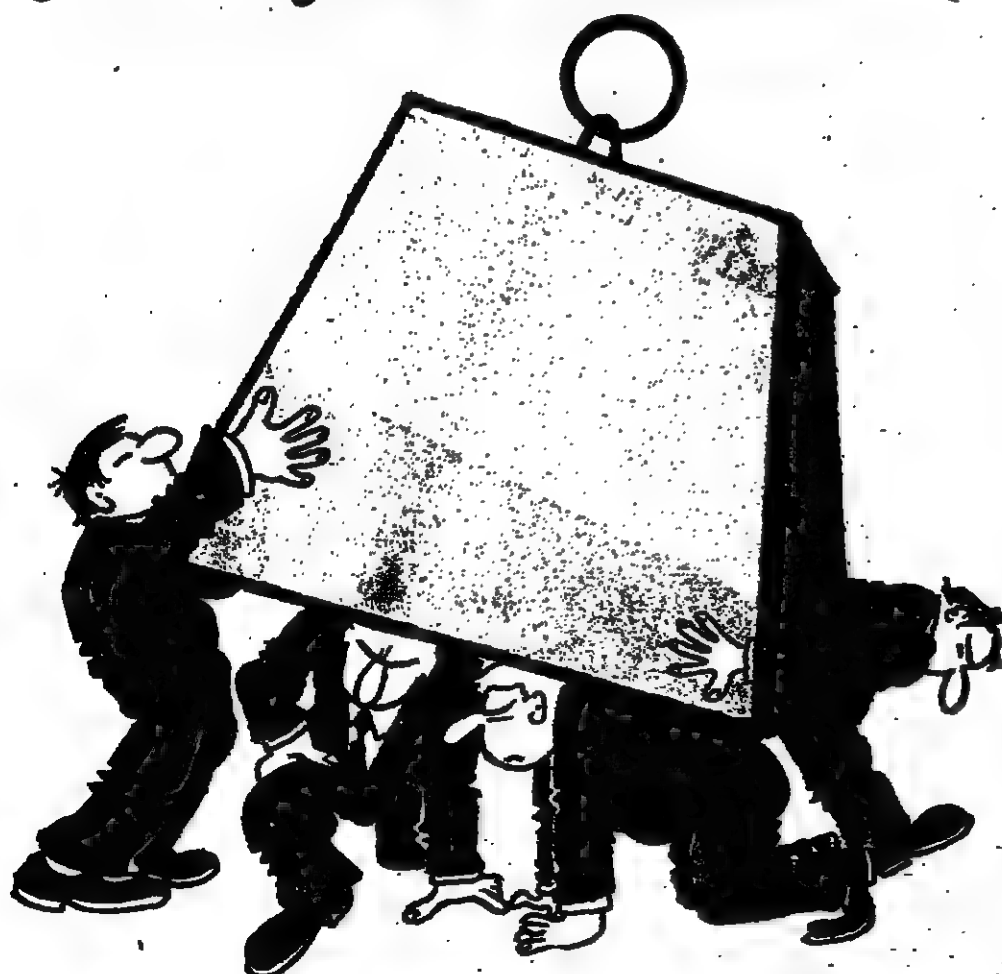
Court shows how sharp the competition has become for large City offices. And the City Corporation goes into partnership with the Trade Development Bank to carry out a 127,000 sq ft office development in Lower Thames Street, EC3. Viking Properties and British Rail plan a £5m Liverpool St. centre development. But the Government blocks Soviet Embassy plans for a fortress-like diplomatic enclave in Kensington. Ministry of Agriculture figures show that the average price of farmland has reached £1,117 an acre, and D&G figures show that in 1977 pension funds invested £332m in property compared to a £410m investment by life offices. MLR jumps to 8½ and then to 9 per cent.

JUNE: Greycoat Estates and the publicly quoted Chaddesley Investments agree terms for merger, and the three-year-long battle for Estates and General Investments results in agreed terms for a merger with the private County and Suburban Holdings. A 21.6 per cent valuation surplus on Land Securities' portfolio in the year to the end of March values group properties at just under £1bn but cautious talk of a subsequent slide in values leaves the share market limp. Hambro Life Property Fund buys 20 properties from Town and City's County and District portfolio for £18.8m at an average yield of 6 per cent. The BBC's pension fund pays £14.3m for the 135,190 sq ft St. Catherine's House, London, WC2, on a strongly reversionary initial yield of 5.7 per cent, while Electricity Supply Nominees passes its Lutwens House block to the National Water Council's fund for £10.2m. Fleming Properties Unit Trust acquires Tate and Lyle's three-quarter interest in the 102,000 sq ft Sugar Quay offices in the City for £9.5m on a 6.5 per cent yield. MEPC arranged medium term bank finance for its remaining major UK developments, but Hammerson speculates that it is unlikely to carry out new developments in Britain in the near future.

The Government relaxes restrictions on land acquisitions under the Community Land Act and confirms a £100m loan allocation for land purchase in the next two years. The Greater London Council talks of a 300-acre free trade zone in Docklands, and unveils an £855m and industrial incentives programme for Central London. MLR at 10 per cent.

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The investment potential

THE VIEW of the bulls in all markets is that there is a vast weight of money from investors, normally institutions, waiting to be committed, which must push up prices before long. This view has been held with greater or lesser conviction by many people in the property world for much of the last decade. Events have, however, shown that there is rather more to investment decisions and prices than just the weight of potential money available.

At one level, it is, of course, true that there is a large and growing amount of institutional money in the hands of life assurance companies and pension funds which is potentially available for investment in property. The snag is that this money is also available for investment in equities, gilt-edged stock, on the short-term money market, in commodities and, recently, even in fine art. The growth in personal savings funds flowing into life and pension funds has certainly been remarkable. According to Central Statistical Office estimates on the use of personal savings funds, inflows to these institutions rose from £2.93bn in 1972 to £8.52bn in 1977. But this gives nothing like a full indication of the increase in the amount available for years of institutional takeover investment by these funds after

taking account of investment nearly 50 per cent left in short-term money market assets. However, in 1975, there was a decline in holdings of short-term assets and purchases of equities and gilt-edged stock accounted for over 80 per cent of cash flow. The percentages going into property have tended to fluctuate less sharply than this (as mentioned above) because of the somewhat lumpy character of property itself. Thus, sizeable amounts of institutional purchases of property in any year will consist of spending on developments phased over a number of years or commitments on investments agreed in the preceding year. The supply of properties does not vary quite as much as does, for example, the supply of gilt-edged stock. When these proportions of a steadily rising total cash flow are translated into actual spending then the fluctuations become rather smaller. Thus total purchases of land, property and ground rents by life assurance companies and pension funds have varied between £740m, £710m, £908m and £905m in the last four years, according to the Government's statistics. There has only been an indirect correlation between these figures and the level of yield for prime commercial property in 1974, with the

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PROPERTY III

Stock market shows its confidence

BY LATE JANUARY of this year property share prices on average, had regained nearly 55 per cent of the ground lost during the November 1973 to November 1974 collapse of the early 1970's property boom. In the space of just over a year the property share index plummeted from an all-time peak of 337.40 to 79.19. After a false start in 1975 when the property share index climbed back to 241.52 inspired by falling interest rates and the end of business rent controls, the index dropped back to 85.95 in late October 1976 as confidence evaporated when the minimum lending rate (MLR) was rapidly increased from 11 per cent to 15 per cent. However, the investment scenario for property share was almost entirely favourable during 1977 with interest rates and prime property yields falling sharply and rental growth increasing.

These conditions prevailed until the end of the year though the late November rise in MLR from 5 per cent to 7 per cent represented a potentially dark cloud on the horizon. Investors, heeded such warnings having seen the bull market of 1977 produce an average appreciation in property share prices of 75 per cent, compared with the near 43 per cent rise in the All-Share Index. Additionally, little attention was paid to the growing institutional resistance to further reductions in prime property yields which during 1977 had fallen from 6 per cent to 5 per cent in the case of offices, from 6 per cent to 4 per cent for shops and from 8 per cent to 6 per cent for industrial. Yield shifts of this magnitude produced capital appreciation for absolutely prime property of between 27 per cent and 33 per cent before taking into account the further gains generated by rental value growth.

Factoring in rental growth indicates that prime property investments probably achieved an overall capital appreciation of around 50 per cent in 1977. However, the distinction be-

Favourably

With investment fundamentals combining to favourably in 1977 and with the underlying bull market factors appearing to gain in strength as the year progressed, the rising trend of property share prices continued into the early part of 1978. Bearish considerations such as the threat of rising interest rates and the low level of direct property investment yields were pushed aside by the expectation of a continuing and intensifying shortage of prime property in both the letting and investment markets. The bulls argued that excess demand would be more than adequate to sustain the prevailing property investment yield structure. In any event, the argument continued, rental growth would be sufficient to take care of any foreseeable rise in property yields and, consequently, the latter factor would not impact adversely on capital values. At worst, property investments might merely go ex-growth temporarily while the property yield structure adjusted to a slightly higher level.

While the scarcity aspect of the bullish case could not be easily refuted in the short term, there seemed to be a number of blind spots in the argument. Too much reliance appeared to be placed on the implied belief that time and inflation would take care of everything—a view last prevalent during the terminal phase of the 1972/73

property boom. The defects of the bull position for property and property share during 1978 might be summarised as follows. First, the widely-held expectation that pressure of institutional funds competing for a property outlet would continue to intensify ignored the implications and potential consequences of the authorities taking action to rein in and to regain control of the money supply. The rise in interest rates caused by a constrained money supply would increase the relative attractions of gilts vis-a-vis property and consequently lead to a weakening of property investment yields. Secondly, a tightening of the money supply would moderate the growth of institutional new money available for investment, while qualitative controls on bank lending would restrain advances for property investment and development. Thirdly, although the strength of the recovery currently occurring in the economy has probably been under-estimated it seems likely that expansionary forces will moderate as 1979 progresses. Therefore it should not be assumed that the recently attained levels of rental growth can be sustained for very much longer.

On best expectations prime rental values could rise by between 8-10 per cent a year over the longer term. Combining this rental growth forecast with current long-dated, high coupon gilt yields of 13 per cent suggests that prime commercial property yields might be expected to rise back into the 5-6 per cent range. However, given the prospect that interest rates might start to edge downwards before very long, it is thought that the upward adjustment in property yields will be restricted to around half a percentage point this year. A yield shift of this magnitude would probably be sufficient to cancel out the benefits of 1978 rental growth and consequently prime property capital values would show little year on year change.

Since mid-April of this year MLR has been raised sharply from 6 per cent to 10 per cent having earlier moved up from its October 1977 low of 5 per cent, and the yield of 2 per cent Consols has advanced from under 10 per cent through 11 per cent at the end of last March to 12.3 per cent currently. In addition the "corset" on bank lending has been re-introduced and property yields have edged upwards though the adjustment to-date has been comparatively modest. These factors bailed the 15-month rise in property share prices dating from October 1976 towards the end of last January and resulted in sharp reaction in the property share index of nearly 18 per cent from its 1978 high of 255.29 to 210.03 in less than three months. Share prices subsequently staged a partial recovery and the sector index now stands at around the midpoint of its 1978 range. The volume of stock traded has been light and share prices have not really been tested. Investment interest has tended to move away from the leaders to secondary issues motivated by

bid speculation and recovery considerations.

Risen

The recent preliminary statement from Land Securities confirms that property investment yields have risen slightly in recent months. A professional revaluation of a representative 25 per cent sample of its completed investment portfolio as at end March 1978 produced an uplift of 21 per cent in value when related to the corresponding 1977 values. However, the group notes that subsequent to the valuation date yields have eased and it seems likely that the value gain has been cut back to around 15-15 per cent. Applying this adjusted uplift across the group's entire investment portfolio indicates a fully diluted net asset value of about 375p, so that at 205p the shares stand at a reasonable 25 per cent discount to net worth.

In many respects Land Securities typifies the recovery that many property companies have achieved over the past three to four years. Borrowings have been substantially reduced

as a result of a major property sales programme and exposure to variable rate debt is minimal. The development programme has been cut to manageable proportions and financing requirements are comfortably within the group's capability. Further, as with Hammerson, the group is moving into a period of enhanced rental growth due to impending rent reviews and reversions. Accordingly, the outlook for profits growth is good and should compare favourably with the performance of industrial profits. Also the quality of earnings has improved materially over the past two years assisted by debt reductions, lower interest rates and lower levels of development expenditure.

On balance it seems reasonable to conclude that while the favourable factors that laid the foundation for a strong bull market in 1977 have now lost most of their potency the medium term outlook for the property market is by no means discouraging. It would be prudent to expect a period of consolidation in share prices following the events of last year and the sector is unlikely to perform significantly differ-

ently from the equity market during the second half of 1978. The sector looks fairly valued at the present time but its investment rating could well improve in 1979 as the benefits of reversionary lead profits growth emerge. The balance sheets of the leaders show renewed financial strength that has been notably absent for many years and while property shares may not be the best news for investors they should prove to be a worthwhile ingredient of their staple diet in the years ahead.

Over the past six years the property market has swung wildly between the extremes of unbridled euphoria and unremitting gloom. Investors have had to grapple with rapidly changing fundamentals and at times the pace of events has been bewildering. But the property market has slowly but surely put its house in order though the cost of earlier mistakes borne out of excessive optimism has been considerable and investment confidence has been badly bruised. However, the lessons concerning the substantial risks of over-expansion and excessive gearing appear to have been unravelled and acted upon. The major property companies are now better placed to withstand a deterioration in the economy and although most pundits take a relatively pessimistic medium term view of the prospects for interest rates and the gilt-edged market, economic trends should not prove a major threat to the property market. Share prices will remain sensitive to interest rates and to the pace of inflation and improved buying opportunities are likely to occur as the year progresses.

Colin Munday
Hoare, Gorrell Ltd.

example, that nominal Gross Domestic Product and earnings will rise at 13 per cent, a year with 10 per cent price inflation and that most contributions will rise in line with investment income being rather more buoyant. This projection is in practice open to a wide margin of error, but if the estimate is only half-way correct then the implication is that financial surplus of the personal sector as a whole will rise sharply by roughly the same amounts.

The question then is what will happen in the other sectors of the economy. Even the most optimistic commentators do not believe that the overseas sector will have a deficit of more than a few billion pounds in the next few years; a deficit in the overseas sector corresponds to a surplus on the current account of the balance of payment in view of the direction of financial claims.

It is, of course, possible that the public sector deficit will rise to match the personal sector surplus, as it did in the early to mid 1970s. But the current adherence to strict monetary targets and to restraint on the growth of public spending seems likely to limit the potential rise in the public sector deficit. Another possibility is that there will be a larger company sector deficit if more investment is financed externally.

The overall picture, as summarised by Wood Mackenzie, is that a substantial amount of the personal sector surplus should be available to finance investment in industry, the public sector deficit as well as the property sector and investment overseas. But this begs the question of which sector will provide the most attractive returns.

This remains a relative matter as, for example, earlier this year when the virtual completion of the sales programmes of the hard-pressed companies produced a shortage of suitable fully-let investments. This reduced prime investment yields down to near 1973 levels which produced concern among many funds who were reluctant to pay peak prices or to lower their standards by buying more peripheral properties. In these circumstances there is no reason why institutions have to buy and they can always leave their money on short-term deposit or look at longer-term development projects. But this abstinence has seldom proved to be long-lasting, at least as far as the best properties are concerned.

Peter Riddell

Potential

CONTINUED FROM PREVIOUS PAGE

perities. Thus yields rose sharply in 1974 when both the proportion and absolute amount of institutional cash flow going into property reached a then record level.

Moreover, yields were falling during 1975 when purchases of property fell and returns changed little on average in 1976 when investment rose sharply. The comparisons will have been affected by the time lags between agreeing a deal—at a certain yield level and the purchase money being paid over. But even after adjusting for this, the relationship between either the total "weight

of money" available or that committed to property, and investment yields is uneven.

There is a better correlation between changes in property investment yields and gilt-edged returns. The yields on both rose during 1973-74 and then declined during 1975 and 1977.

This does not mean that there is a fixed relationship between the two but rather than there are broadly parallel changes in direction as investors require a higher return on property to match the higher gilt-edged yield. There is less correlation with short-term interest rates, such as Minimum Lending Rate, though sharp rises or falls in

MLR are normally reflected in smaller movements in property yields.

Apart from these short-term considerations the level of property yields is also affected by changes in expectations about the rate of growth of rents. For example, the gap between yields on long-dated gilt-edged stocks and on property investments widened as purchasers became more bullish about the prospective growth in rents on top-quality properties, as is fully discussed in an accompanying article.

But even though it is not possible to establish any exact co-operation between property

values and the total weight of money available, it is likely that a growth in institutional cash flow will at least sustain, if not necessarily boost, property values.

Prospects

All the surveys done on the prospects for institutional cash flow point to a steady rise from now onwards. The most bullish analysis, from brokers Wood Mackenzie, suggested that the amount available for investment would double by 1982 to £13bn and rise to £20bn by 1985. This is based on a several highly tentative assumptions — for



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PROPERTY IV

Arguments for relocation

THERE IS an awful lot of talk and precious little action when it comes to office and factory relocation. Corporate executives dressed up as prudent conservationists keep a disturbingly large section of British industry in factory and warehouse slums, and countless thousands of office workers in conditions that they would not tolerate for a moment in their own homes.

The classic argument for not moving is that it is impossible to justify the expense, or the potential business dislocation. The classic counter-argument also centres on cost. And far too often a firm faces the decision of whether to move or not only when it has to negotiate a rent review bringing an historically low-cost lease up to current market rates. By that time it is generally too late to organise a move without severe business dislocation, and so the inertia advocates carry the day, and the firm pays a modern rent for inefficient accommodation.

It is a salutary thought for any management that has not recently considered its building

leases that there are more rent reviews due in the next five years than at any time in the history of the property industry in Britain.

In the period to and just beyond the turn of the decade rent reviews on leases drawn in the 1960's—with the then fashionable 21-year review patterns—in the late 1960s—on 14-year reviews—and in the early 1970's on 7, and more recently 5-year reviews, are all bunched together in a mass of revisions that bring tears of joy to the eyes of property negotiators, property lawyers, and their accountants.

By 1985 it is estimated that over 80 per cent of the country's leasehold commercial property will be rented on 5-yearly reviews. And any firm now sitting back comfortably on a rent struck when property developers accepted a few shillings a square foot for schemes should start taking a close look at current market rents, and it may be in for an unpleasant surprise.

A leaseholder facing a dramatic rise in rent costs

may, if he gives himself time to think, consider relocation. But one alternative and currently popular way of overcoming this problem is to simply buy out the freehold.

There are tremendously powerful arguments for industrial or office property users to buy their own buildings. At a time of relatively high corporate profits and, because of the uncertain commercial climate, a low level of investment incentive, what better way of utilising cash resources than to buy out a freehold? The board of directors can then bury its head in the sand, ignore the market forces that drive leasehold neighbours to make serious cost analyses of their properties, and politically but firmly turn away any rash soul who suggests that a change of scenery might do the firm some good.

Image

Five years ago the image of the villainous asset stripper could be conjured up to shake these sleepy boards back

to reality. Now, many industrial companies put cash needed for capital expenditure in the business into properties that their landlords are only too willing to sell, and which steadily lose their value as security for future borrowings as they age.

Throughout the country there are examples of normally rational and apparently successful businessmen who have succumbed to the appeal of commercial property ownership. In many cases the engineer may well prove to be a competent property man, in most cases he will not. And in all cases this channelling of resources into real estate cuts resources available for the mainstream business, and increases corporate mobility.

There are exceptions. The bigger store groups maintain as efficient property teams as any property company or financial institution as good locations are as critical to their businesses as good stock buyers. Some of the garage groups make more money trading in filling station sites than they do selling petrol. And the building societies and banks

have got to do something with their money beyond filling the TV screens with horses and smiles. But the average businessman wouldn't go to a tailor to have his shoes mended, and equally shouldn't assume that occupying a building is the same as knowing how to efficiently manage or move from it.

That said, a critical look at any business location will often result in a decision to stay put. Once the unthinking inertia has been overcome there are genuinely sound reasons for erring on the side of caution when considering a move. Rising costs of staying still need to be set against the often equally substantial costs of finding new premises, negotiating and possibly paying for staff moves, reorganising communications, and making allowance for an inevitable element of lost client goodwill.

In drawing up a balance sheet of the pros and cons of a move most managements suffer from the problem that, as few firms move more than once during the careers of their staff, there will be no one with in-house knowledge of the problems of co-ordinating a commercial move. Fortunately, every business in Britain now has the opportunity to call upon the free advice of the Location of Offices Bureau and upon the paid advice of surveying firms expert in handling such moves.

Both the LOB and the major national surveying firms have a wealth of experience in organising moves. In its 15-year life the LOB has assisted firms to move 150,000 staff from the capital, and since the expansion of its brief last year, the Bureau is charged to provide help to office users moving both in and out of London and the major cities as it serves both the development areas programme and the Government's new inner city renewal programme. The Department of Industry provides free advice to industrialists moving to Development Areas, and the New Town Corporations and most local authorities have staff trained—to a greater or lesser extent—to help corporate movers. The major surveying firms claim to be able to move anyone anywhere, and in the competitive agency market the ones that survive tend to be those that fulfil such claims.

At the initial stage most of this external professional advice boils down to a check list of options and questions that should filter the movers from the movers.

It is fairly easy to make up a composite check list of this sort to see whether relocation is really worth considering. Taking the possible reasons for a move first—

- Is there a substantial rent review on the horizon?
- Does the property tie up capital that could be better employed elsewhere?
- Is the business in an unnecessarily expensive area, looking at both rent and rates?
- Is it scattered in several properties, and would it operate more efficiently in a centralised unit?
- Are the buildings really suitable for business today, or has the business merely grown used to fitting into existing spaces?
- Are the space needs of the company contracting or expanding, and if so, is there too much, or too little space on hand?
- Are there any financial

advantages in owning or renting a building beyond the existing arrangements?

● Are working conditions in the existing building satisfactory?

● Do staff have transport problems?

● Can you afford, or get the right staff in the present location?

In the phraseology of the women's magazines, if your score is high, it's time to think about divorcing your building. To find the ideal property partner, and to see whether you can afford a divorce, you have to try out the other check lists to see if a move would help.

In analysing possible solutions to existing property location problems the key variants boil down to these:

● How much time is there for a decision? If the rent negotiators are already haggling, forget it.

● How much floor space would be needed in an ideal building, and what form would it take? This allows boardroom doodlers plenty of scope to play out their Frank Lloyd Wright fantasies.

● Where can the firm move without severing too many existing business links, bearing in mind modern communication facilities, and viewing locations in terms of business needs (not distance from the firm's existing buildings) and in terms of travelling time, rather than physical miles?

● How critical is it to keep the existing staff, in both management and union eyes, and would a new location attract or repel key workers?

● Would capital released by a move be absorbed by that move, and what can the firm realistically afford to pay for accommodation?

Even if the balance sheet weighs in favour of staying put, the relocation exercise can be a fresh and valuable look at a firm's property expenditure.

The costing exercise can be carried out roughly by a comparison of national rent and rate charges set against known current accommodation costs, and the charts of industrial and office costs shown here give a rule of thumb guide.

Actual moving costs obviously vary depending upon the complexity of the move. And there are imponderables that could deter the most ardent relocation advocate.

Every manager has come across the stories of firms moving and then bleeding to death from a steady drift of key staff back from the new beautifully landscaped country location in the lousy working conditions and wider career opportunities of the old urban environment. Equally, initial enthusiasm to move often cools after the 30th abortive search for a suitable building or site.

On the other side of the equation, relocation advisers can provide case studies of countless moves that have resolved high staff turnover problems, released underutilised capital, permitted impressive expansions of previously moribund businesses, and given finance directors a reason to praise rather than curse the corporate taxation system which provides substantial incentives for moves to designated areas of expansion.

John Brennan

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Developers size up the options

WITH THE recent improvement in the property market developers have been sizing up the possibilities of carrying out fresh development but most have found that although funds are available and there is increasing demand at the end of the day the rents likely to be obtained will not justify the cost of building speculative factories and warehouses in the Greater London area.

At the height of the boom in speculative development during 1972-73 everything appeared to favour the developer; money was readily available at comparatively cheap rates, there was strong demand, fixed price building contracts were negotiable and rents were soaring. It was just the sort of business climate which could be expected eventually to result in a dramatic over-supply of properties.

At that time punitive taxation had not hit the property industry, the Community Land Act and its associated Development Land Tax were still unthought of. Nor had the concept of refurbishing old buildings dawned on many developers; land, even inner city land, was still cheap enough to buy in order to provide new buildings.

Conditions were such that it left alone supply and demand would have had their effect. But being human and fallible the developers built too many buildings which in the event led to over-supply, a levelling off of rents and a cut back in development until demand caught up again. However, before his over-supply hit the market the Government had interfered in the shape of the counter-inflation control on rents.

Governments seems to have a basic failing in not understanding the role of property as one of the main credit bases of the country. Even since the lesson of 1974, when some of the largest institutions were tottering on the brink of disaster, years MEPC has retained a

number of major sites, in excellent positions, which could not be developed because of the lack of two vital ingredients—a demand for the finished space at rentals which can support building costs and a willingness by institutional sources to fund development schemes.

These requirements have now both been met and MEPC has been able to obtain finance on terms which will allow it to retain full ownership of the project on completion. The Guildford project has been funded by a London merchant bank and a U.S. bank, around £15m is being advanced for seven years secured on the development. In the case of the Oxford Street development the group has done even better with a loan of eight years from a London clearing bank. The deal was approved just ahead of the credit restrictions imposed by the Government on June 5.

Values

"Values will rise artificially, as they have before, and the financial sector will be blamed for causing in some mysterious way a secular boom in a sluggish economy. If there is no relaxation of controls and interest rates fall, we could get some development but the same problem would remain. If we get some relaxations there will be a chance of achieving a reasonable equilibrium as the market performs its function."

But where planning permission already exists, thus limiting the scheme outside the provisions of the Community Land Act, and where developers can arrange pre-lettings agreements which fully reflect current building costs and where the development company has sufficient financial strength to obtain finance, development is once again possible.

MEPC, the second largest UK property group, has just completed funding for two major developments totalling £50m with term loans from banks. The projects are a £25m shopping and offices development at Guildford and a scheme of shops and offices in London's Oxford Street. In both cases around half of the development cost will be provided by banks on seven and eight-year term loans.

In his annual statement to the House of Commons, the Secretary of State for the Environment, Mr. Gerald (Joe) Dwyer said: "During the past few years MEPC has retained a

number of major sites, in excellent positions, which could not be developed because of the lack of two vital ingredients—a demand for the finished space at rentals which can support building costs and a willingness by institutional sources to fund development schemes."

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MEPC has not given details of the interest being charged on these term loans but the fact that the group pulled out of a virtually side-by-side funding arrangement with a State Industry pension fund in order to retain full equity in the project suggests that the terms are favourable.

It is by no means clear if the MEPC form of funding will be followed by others; the strength of the company following the sale of its Canadian assets for around £28m allowed it to put up around half the development finance from its own resources. At the time of the sale of its Canadian subsidiary the stated policy was to reinvest the proceeds in such a manner as to bring greater rewards than were forthcoming from the properties in Canada.

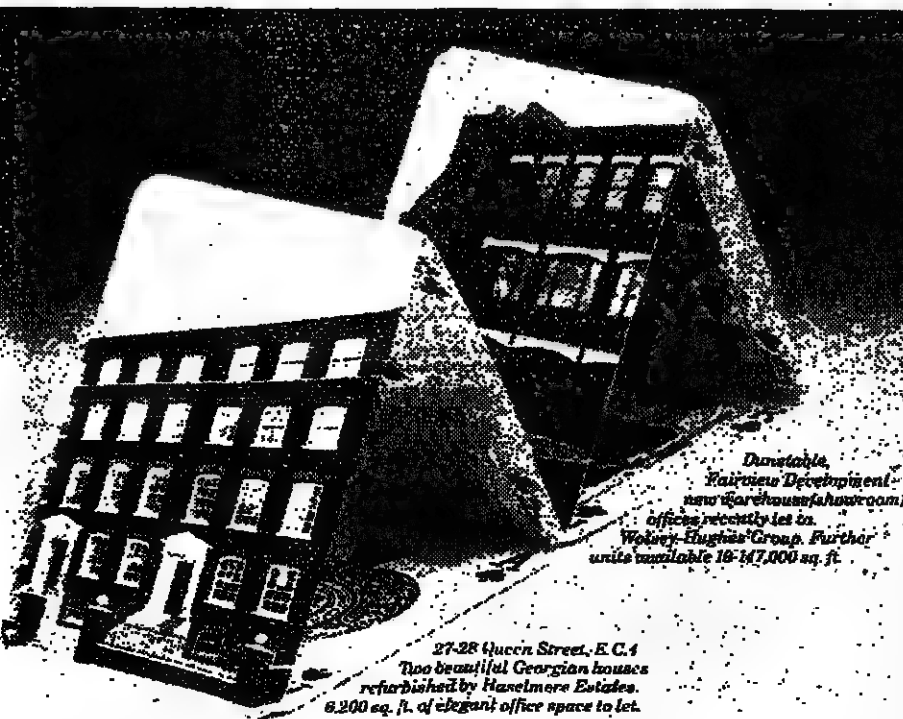
Another company which is in a very strong cash position is Capital and Counties Property Company; at March 28 last, it had cash and short-term deposits of £14.6m. In its annual statement chairman Keith Wallis said: "With a sluggish UK economy and a dearth of attractive alternative opportunities for institutional funds, the property market is currently a very competitive place; good property investments, developments and refurbishment projects are hard to come by on acceptable terms. Nevertheless, we are continuing to look for and are finding new business which will yield a worthwhile return."

The MEPC funding deals are of such significance that some property experts are suggesting that pension funds will have to watch the situation very carefully because it could mean that they will soon find partnership schemes with developers very hard to arrange.

Faced with a shrinking supply of prime investment properties in which to invest, the pension funds have been forced to take part in direct partnerships with property companies and local authorities in order to place cash in the property sector. In many cases these partnership schemes have been very rewarding; the cash hungry property companies have given away large chunks of equity in the developments in order to get the cash with which to begin a scheme.

If developers find that they can once again fund schemes on term loans they will become reluctant to give away large chunks of equity to pension funds and the funds' second line of defence of taking equity participation will have been smashed.

The new criteria for develop-



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Big institutional presence

THE MANAGING director of one of Britain's largest property companies recently put the question as to how many groups such as his own were still in the development business—or how many were likely to be over the next few years.

The answer, unfortunately, is not many. In fact, there is only a handful of major public property companies still in the real development game. Many are still reeling under the blows of the 1974 collapse and the poor economic conditions of the past few years.

But this year has seen the turn-around in the fortunes of property companies. Lower interest rates, an improving economy and the end of vast sales programmes have all combined to paint a prettier picture. Even so there has been a noticeable reticence among developers and their financiers to undertake the all too common large schemes of the early 1970s.

Hammerson Property and Investment Trust's Mr. Sydney Mason went on record a few weeks ago as saying that he and his group were not even contemplating any UK development at all for the foreseeable future. To be fair, he did add that Hammerson might consider one or two modest shops and offices schemes—but nothing of Brent Cross proportions.

Even the much alighted down Capital and Counties group is now beginning to test the temperature of the water but it is highly unlikely Mr. Dennis Marler is keen to get his knees wet.

What has become evident over the past six months in the property market is the tremendous weight of institutional money, especially from the funds of nationalised industries like the Post Office and Coal Board. These, along with private pension funds, insurance companies and property unit trusts, have done more to change the shape of the game in recent times than all the entrepreneurs in the first few years of this decade.

In the past, fund managers and their trustees were content to sit on the sidelines and watch developers take the risks in putting up a commercial or industrial block, wait for it to be fully let, then buy either the whole of the completed scheme or a share of it.

The next move was to become actually involved in financing the development, either in the form of a straight funding situation or a slice of the equity. More recently, funds have been prepared to take increased risks for larger shares of the equity until they have virtually become developers in their own rights.

Perhaps one of the best examples of this is the electricity supply industry's pension fund ESN, which increasingly has taken on the developer's role until one almost thinks of the fund as a developer rather than a financier.

The fund was instrumental in developing the massive 175,000 sq. ft. Angel Court next door to the Stock Exchange. Critics might argue, however, that the risk element involved was almost negligible considering the location of the block. But then isn't that what property development is all about?

Experience

Arguably more risky is ESN's scheme to smarten up Piccadilly Circus around the area bounded by Coventry Street and Shaftesbury Avenue. A small section of the scheme has already been completed and let under the guise of a showbiz extravaganza, the London Experience.

But even ESN's development experience pales into insignificance compared with that of Norwich Union. This insurance company has been involved in active development since the war; and Mr. John Darby, who heads NU's property division, could be called Britain's biggest developer.

What is interesting about NU's attitude towards property development is that it says there is no reason why any reasonably sized institution should not build up its own development department.

Why not indeed? It would certainly put in their place those entrepreneurs of the late sixties and early seventies who reckoned a developer had to have a certain flair to put schemes together. Other institutions have slowly woken up to NU's philosophy, albeit in a more cautious way.

The last nine months have seen a general hotting up of the catch-as-catch-can attitude towards prime investments. Following the collapse of the property market it was relatively easy for an institution to acquire prime properties from failed development companies

such as AIP, but in those days fund managers were more cautious in their attitude towards property investment. Funds like the ICI Pension Fund took a very hard line on property after the collapse and were at great pains to ensure the fund had few doubtful investments in its portfolio. Since then it has been making efforts to get back into the property investment market with purchases along the lines of its acquisition of a substantial stake in Capital and Counties Victoria Centre shopping scheme in Nottingham.

But today there is a noticeable shortage of those prime investments so attractive to the funds. Investment jargon such as "less than prime" has been creeping into market reports over the past few months, indicating institutional involvement in secondary property. There were growing fears that the second property boom was on its way.

The institutions were quick to dispel any rumours that they were the cause of any mass incursion into the secondary property market. But despite such assurances yields continued to drop as the ever-dwindling stock was being chased by more and more money.

Some funds felt forced to come out with statements to the effect that they were no longer buying property at yields below 5 per cent. However, at a recent auction of provincial shop investments a noted firm of estate agents said the institutions were back at public auctions prepared to accept yields of around 1 per cent.

If by the sheer weight of their cash flow—the Post Office Pension Fund is reckoned to have a daily cash flow of £1m—the funds are being forced into the property market then there has to be an outlet.

As the market itself steadies and rental growth forecasts continue to be optimistic, more and more of the bigger funds are finding themselves faced with the prospect of having to go in for direct development. The returns are higher but so are the risks. Following their usual cautious line, fund managers are in most cases going in for pre-let development situation.

Risk is eliminated as far as possible so that there are no nasty shocks when the scheme is completed. But funds cannot always be cushioned against every risk and it is believed that there are a large number of shopping schemes around the country which are costing institutions dear.

The search is on among funds to find viable schemes, which they can finance or develop themselves. One of the most notable speculative developments which has recently been given the go ahead is the Standard Life/Greycoat Estates 790,000 sq ft office block in Cutler Street.

But possibly one of the cleverest schemes for minimising risk is to be seen in Fleming Property Unit Trust's 161,000 sq ft industrial development at Thornton Road, Croydon. It is actually being developed by Godfrey Bradman's London Mercantile, which is guaranteeing a rental income of £324,000 pa gross. Once the scheme is fully let and income producing Fleming takes over the estate, which is then retained in the portfolio as a profitable long-term investment.

MEPC's recent funding of its schemes at Guildford and in Oxford Street is a prime example of a developer resisting the overtures from the institutions and acquiring finance elsewhere.

If this is a sign of greater confidence in the development market then it is clear funds and institutions are going to have to compete with traditional property companies to find sites and put together profitable long-term investment situations. But this can only be done if the institutions themselves are prepared to take greater risks in future developments.

There is no doubt funds are prepared—in some cases over-eager—to provide development finance but for many property companies the price is too high. Besides losing overall control of the development, property companies find they are losing substantial stakes in the equity. For some companies the stake is too high and they are not prepared to take a management seat in the development.

Baron Phillips
Estates Times

Local authority conflicts

LOCAL AUTHORITIES have for another year the imposition of the full 80 per cent but the present 66 2/3 per cent charge is a sufficient deterrent to land sales or even to the grant of options to purchase subject to planning permission.

But even without such a tax land could be hard to obtain in sufficient quantities, the critics say, because of the way the planning system is operating and—above all—because of the community land scheme. Too many major projects are rejected, it is said, on the grounds that they are premature because the structure plan or the local plan (or more probably both) have not been completed and to grant planning permission might be prejudicial.

As for the community land scheme, it is claimed that most local councils have neither the financial resource, the administrative capability nor the entrepreneurial skill to make it work. The Government may have allocated an extra £100m for land acquisition over the next two years, two to three times as much as was available during the first two years of the

scheme. It may have relieved local councils of the need to secure Whitehall approval for each deal. It may have decided to let them keep a bigger share of their land-dealing profits. But these changes will not unlock the administrative logjam or inject the desired commercial nous.

The land tax and the community land scheme are of course recent and still highly politically contentious innovations which could well disappear after the election if the Conservatives were to win. The planning system is another matter altogether. It has been with us in more or less its present form for just over thirty years and the principles upon which it is based are not in political dispute.

The system has been modified and adapted in response to criticism and changing circumstances since 1947. Other changes have been made or promised in response to the criticisms contained in the Doherty report in 1975 and the report last year from the House of Commons Expenditure Com-

mittee. Perhaps the most important in the long run is the idea, which the Government has been actively discussing with the local authority associations, of establishing some kind of forum in which the operation and effectiveness of the system can be kept under permanent review and proposals for change be considered.

It is important because the burden of both the Doherty report (only some of whose recommendations were accepted) and the Estimates Committee's findings was that deficiencies of the planning system lie not only in whichever way it is operated but are also inherent in the system itself.

Development control, to work properly, has to be soundly based upon an up-to-date and cohesive hierarchy of regional structure and local plans. But ten years after the Town and Country Planning Act of 1968 structure plans had been approved or submitted to the Government for areas containing only about half the population of England and Wales, and work had started on only about 40 per cent of local plans.

Teething problems were perhaps to be expected but will the rhythm be any better when it comes to keeping these plans up to date? Moreover, the interface between different disciplines is becoming more and more complex as planners seek a closer integration of social, economic, environmental and resource planning. At the same time planners are expected to reconcile this more and more multi-disciplinary approach with the trend towards greater public participation in decision making.

It is hard enough now trying to satisfy rival interests. Developers say the process takes too long; amenity societies and residents' organisations say the opportunities for consultation are too short. People used to be in favour of growth provided it took place away from their own door-step; a growing minority now seem to be against any growth at all.

Planning is meant to be a local matter, at least according to the rules laid down by Parliament. Yet the trend towards a multi-disciplinary approach is leading increasingly and inexorably to greater central or regional involvement. Local planning authorities differ very widely indeed in their approach, their methods, and above all perhaps in their efficiency. Yet the successive governments have insisted on keeping back from interfering in the way in which the planning process is operated

Charges have been proposed to the general development order so as to remove many minor schemes from the scope of development control and reduce the annual flow of planning applications by between, it has been hoped, a tenth and a fifth. The Government has asked for priority to be given to industrial development schemes (thereby implicitly recognising that there is a problem of delay). Measures have been taken to try and speed up the operation of the appeals system. A promise has been made to introduce, as soon as economic circumstances allow, an improved quarterly census of planning applications and decisions.

All this may seem like tinkering but tinkering is the most that we can probably expect, so long as the operation of the planning system is regarded as essentially a matter for local decision, so long as radical change is precluded by the desire to achieve consent, and above all so long as planning remains—as it assuredly will—essentially a matter of trying to reconcile commercial and non-commercial considerations. The operation of the system can obviously be improved, but it would be an illusion to expect the difficulties inherent in the system itself ever to disappear.

Colin Jones

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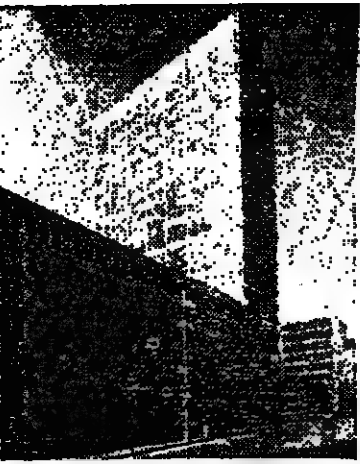
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PROPERTY VI

PSA comes under fire

BRITAIN'S BIGGEST landlord and tenant are vested in one vast organisation—the Property Services Agency. An integral part of the Department of the Environment and successor to the old Ministry of Public Works, the PSA provides 10m square feet of Government office accommodation in the UK, spent £24m on rent last year and employs a total of almost 50,000 staff. In 1976-77 it spent more than £300m on supplies and transport while overall its spending easily exceeds £1bn a year. Its task is enormous, encompassing services both at home and abroad. Its clients are numerous, including all Government departments and the Post Office. And its structure which at best is highly complex is at worst, as some of its critics have not been slow to point out, positively labyrinthine.

The PSA will always "enjoy" an invidious role with the Government—its many headed tenant on the one hand and its all too unpredictable boss on the other. This anomalous position has not helped it ward off attacks on alleged waste, over-manning and inefficiency. Indeed, one of the most damaging criticisms of the Agency has received wide publicity only recently. It is ironic and perhaps unfortunate that the efforts to control spending described in the book *Your Disobedient Servant* by former PSA South of England Regional Director Mr. Leslie Chapman did not receive more attention earlier.

The Property Services Agency of today traces its roots to the reign of Richard II when responsibility for Royal building was brought under central control for the first time. By the beginning of the 17th century this administration had become known as the Office of Works, a name which survived until the Second World War. Between the end of the 18th century and the middle of the last century, however, it passed out of the Royal Household and became a Government department—a period which saw the building of Somerset House and the Houses of Parliament. In 1940 the Office of Works became a

Ministry and in 1962 it was renamed the Ministry of Public Buildings and Works, merging a year later with the previously independent works branches of the Armed Services. This amalgam was swallowed up by the DoE in 1970, and the Property Services Agency was born in 1972.

As specifically a property agency the PSA's job is to provide buildings and other installations for all Government departments, the armed services and various other public clients. Most important of these "other clients" is the Post Office whose entire individual estate comprises no less than 14,000 separate holdings. The PSA's tentacles also extend overseas, a special directorate being responsible for buying, building and maintaining all British embassies and other diplomatic and consular buildings.

Design

The Agency's services include much design, construction, adaptation and furnishing work, while it also has responsibility for providing a vast range of stores and ancillary equipment. Unlike a public company or business, which should know its requirements at least with some degree of predictability, the PSA labours under the ever shifting sands of political uncertainty. Its Government master often needs new accommodation, perhaps hurriedly and with little regard for cost. On the other hand politicians, like the Civil and Public Accounts committee, are always liable to interfere with demands that a more disciplined market philosophy be applied.

The PSA tries hard to be business-like, but quite clearly it cannot always succeed. Take, for example, the Government's wealth tax proposals. Offices were located in several provincial towns ready to accom-

modate the civil servants the PSA in 1976-77 are expected to double by the end of the 1980s. During this time historically low cost buildings will come due for rent reviews, many of which had long review periods agreed in the early 1950s and 1960s.

Meanwhile the debate for more openness is not confined to outside commentators. Some private operators are trying to smoke out what could be considered commercially confidential information. Later this year the PSA is planning to publish its first ever annual report—there will not, however, be any individual rent disclosures.

As well as landlord and tenant, the PSA plays the not insignificant role of largest public sector builder in the UK. In this capacity it claims the heritage—arguably via some what doubtful genealogical channels—of such important English architects as Wren and Inigo Jones. In 1976/77 PSA expenditure on all new works totalled £417m and no less than 14,536 contracts were let to the value of £394.1m.

A major slice of business in this area comes from building involved in the huge civil service dispersal programme MOU disposed of property worth £20m, though this is only a fraction of the total. Much of the Defence estate is let on a commercial basis for farming but much is nonetheless vacant, due in part to defence cuts and constantly changing defence requirements.

Finally, a word about Mr. Chapman, the maverick PSA Southern Region director whose previously mentioned book has certainly stirred up a hornet's nest in the Civil Service, if not sent a shudder through the corridors of Whitehall. Briefly, Mr. Chapman pruned the cost of running his region of the

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30 per cent is farmed out to outside consultants.

One consequence of this massive exodus will be the changes it causes on the London property market. As well as allowing a major rationalisation of the PSA's estate in the capital, officials calculate that between 3m and 4m sq ft of London office space is likely to fall vacant in the next ten years.

The PSA itself, incidentally, will feel the full blast of relocation—the Agency's headquarters and 3,000 staff posts are being transferred to Teeside, although civil servants are known to be opposed to the plan.

Search

Ironically, in view of its constant search for new offices and accommodation on behalf of its Government master, one of the PSA's biggest headaches is actually the disposal of property and land. The problem is most pressing in its UK Defence Estate, which comprised 288,900 hectares at the last count. The Ministry of Defence, in which all this estate's property is vested and where all decisions with regard to its use are made, is constantly trying to reduce holdings as opportunities arise. Last year, for instance, the MOD disposed of property worth £20m, though this is only a fraction of the total. Much of the Defence estate is let on a commercial basis for farming but much is nonetheless vacant, due in part to defence cuts and constantly changing defence requirements.

Finally, a word about Mr. Chapman, the maverick PSA Southern Region director whose previously mentioned book has certainly stirred up a hornet's nest in the Civil Service, if not sent a shudder through the corridors of Whitehall. Briefly, Mr. Chapman pruned the cost of running his region of the

then Ministry of Public Works. He did it without impairing efficiency and without incurring the wrath of the unions. He was, however, according to his senior colleagues, unable to persuade his colleagues to follow suit in other parts of the country.

Mr. Chapman's achievements are certainly not disputed by today's PSA bosses. But there the sympathy ends. Acknowledging that he did an excellent job in his own region, the Agency's officials point out that other parts of the organisation carried out their own cost cutting schemes. The PSA's direct labour force, for example, was cut by a third in under 10 years while maintenance savings on the defence estate amounted to 23 per cent of total spending in four other regions. There is understandable frustration in the PSA that attention has centred on events which, so the argument runs, have little bearing on the situation today. There is also considerable annoyance that the media has tended to emphasise the now well publicised blunder of PSA's chief executive Sir Robert Cus. Sir Robert told MPs of the Public Accounts Committee in 1975 (wrongly as it turned out) that the Southern Region has been at it to make substantial savings because of a large redeployment of troops, especially from Aldershot, to the north.

Whatever you make of this row, it has at least highlighted the central dilemma of the Property Services Agency. A vast and because of its diversity a fascinating organisation, it will always be dogged by administrators on the one hand and efficiency-conscious politicians on the other. With more than £1bn of public money to dispose of each year, however, its watchdogs (both internal and external) should not be ashamed of their vigilance.

Tim Dickson

Scrutiny of new towns

BRITAIN'S new town development corporations have recently emerged from an uneasy period of uncertainty in which their future role came under long and searching Ministerial scrutiny. The Government's rethink on what constitutes the correct balance between the development of new towns and the revival of inner cities threw their programmes and aspirations back into the melting pot while the Government pondered over planning policy.

At the end of the day there was disappointment for some and relief for others, though new town development as an integral part of development strategy did not suffer the body blow which many people had been forecasting. The rethink was going on within the Department of the Environment.

By the middle of last year it was clear that the new town concept was not going to be sacrificed on the altar of the latest ideological idol—inner urban renewal. There had been fears that the recent awakening on the part of politicians of all shades that the decline in Britain's towns and cities should be halted and reversed would do away with many of the bodies established to spread the gospel of regional development.

High on the list of organisations which suddenly found itself facing both ways at once was the Location of Offices Bureau, originally given the task of encouraging businesses and people away from the South-East but then subsequently asked to help sing the praises of life, both social and economic, in and around London. The embarrassment to the LOB, eventually overcome with the provision of a wider remit to include the attraction of foreign companies to London and the regions, highlighted the fundamental policy changes taking place and underlined the potential problems facing development corporations around the country.

Future

In pursuing their considerations about the future for the new towns, Ministers took into account not only an economic situation which insisted on reductions in public expenditure but also substantial changes in projected population growth up to the end of this century. Both factors seemed to justify some reduction in the commitment to the new town philosophy, although they were overtaken by the Government's renewed enthusiasm for the revitalisation of inner city areas.

The examination of new town policy was the first major reappraisal to take place since the middle of the 1960s. When he announced his preliminary such as parkland and open

spaces, can be transferred, to the relevant local authorities. The question of whether a local authority should eventually be able to acquire commercial land and his advisers during the decision-making process.

My reappraisal has taken particular account of the substantial changes in national and regional population trends, of changes in our economic and industrial position, of changed conditions in our major cities and of changed attitudes of the contribution authorities towards population movement and of the new balance that we are seeking to achieve between development within the cities and development outside.

Announced

The Minister foreshadowed the end of several of the earlier new towns, most of which have now largely and successfully fulfilled the purposes for which they were established. Although some of the such as Bracknell, Redditch and Stevenage had been potential candidates for further expansion, Mr. Shore said it had been decided that future growth of the first generation of new towns would be a matter for the local authorities concerned to deal with under other legislation.

The Minister announced that eight of the earliest new town corporations—Corby, Stevenage, Harlow, Runcorn, Bracknell, Redditch, Washington and Basildon—would therefore be wound up over a five-year period. The dates he set will be used only as targets for the completion of the Corporation's business, however, and are not immutable if problems arise.

On the date in question the property of the respective corporations will vest in the Commission for New Towns and the corporations themselves will cease to act except for limited purposes provided under the New Towns Act 1965. The dissolution of the corporations will normally follow within three months of the target dates.

Following the transfer to local authorities of rented housing, the Commission will no longer have a housing role. It will, however, have a major part to play in securing the orderly wind-up of the development corporations and in the management of the substantial commercial and industrial assets which have been created in the new towns by Exchequer funding.

Ministers are well aware, however, that the natural aspirations of local authorities to own and manage public sector property provided under the New Towns Act in their areas must be taken into account. As a result the Government is to consider what community-related property, he announced his preliminary

findings to the House of Commons last April Mr. Peter Shore, Secretary for the Environment, spelt out the factors which had confronted him and his advisers during the decision-making process.

My reappraisal has taken particular account of the substantial changes in national and regional population trends, of changes in our economic and industrial position, of changed conditions in our major cities and of changed attitudes of the contribution authorities towards population movement and of the new balance that we are seeking to achieve between development within the cities and development outside.

Before pronouncing on the fate of the six third generation new towns launched in the middle of the 1960s Mr. Shore said he had not decided on the future of the three new towns in the North-East which had helped stimulate industrial growth in the region. His decision is still awaited.

Turning to the third generation of new towns the Minister said that while he did not wish to take any action which would reduce their ability to thrive, it was clear that there would have to be a substantial reduction in the target figures for their growth set ten years ago.

At the same time, he argued, the new towns have to do more to help the inner areas by taking a higher proportion of disadvantaged people and by meeting the growing demand for owner occupation.

Projected

The trimming back in population growths affected all the new town areas and in total represented a reduction of some 350,000 in the programmes of the third generation of development. In Milton Keynes, for example, one of the best current examples of the new town concept, growth should be induced

to an extent which provides a population of 150,000 by the mid-1980s, which with natural growth should rise to 180,000 by the late-1980s and to 200,000 at a later date. The original target was 240,000.

In Northampton the projected population total for 1980 has been reduced to about 180,000 against an original target of 230,000, while in Peterborough the population by the mid-1980s should be about 180,000 against an original projection of 180,000. Similar reductions have been implemented for towns like Telford, Warrington and Central Lancashire New Town.

Clearly aware that some of his decisions would cause considerable disappointment within many of the corporations, Mr. Shore said they had in the past proved themselves to be adaptable in responding to changing requirements and he felt they would "respond positively to the new situation."

But whichever way the Government's radical change of direction was presented, there has been no disguising the heartfelt disappointment felt in several new town "camps." For while most will be able to press ahead with plans already laid down, their wings have clearly been clipped and all their projections will need to be modified to take account of the new approach.

Attitude

The attitude among the new town corporations with a useful life ahead of them has, however, been a healthy one. Many have been encouraged by the positive response of industry, commerce and the retailing sector to their aggressive marketing approach, although it remains to be seen how they fare in the wake of the Government's renewed belief in the inner city concept.

Michael Cassell

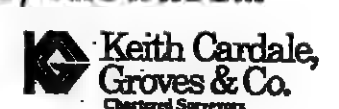
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PROPERTY VII

Election run-up causes confusion

THE COMMERCIAL aspects of property—letting, dealing and investment—are all going through a period of relative stability at present. But the same cannot be said for the political arena.

With each of the parties showing definite signs of beginning the run-up to an election, ancient hobby horses are being dusted down and pet programmes invested with new vigour. The net effect has been in the past few weeks to throw the property industry back into a state of considerable confusion.

The key element in all this is, of course, the Community Land Act which the Conservative Party is still pledged to repeal and to which the Labour Government has recently given fresh incentive.

A fortnight ago Mr. Reg Frieson, Minister for Housing and Construction, announced that the Government has allocated £100m to be used by local authorities for land acquisition over the next two years—between two and three times the resources available in the first two years.

Local authorities will also be able to spend more of their allocation without having to consult the Department and will, Mr. Frieson said in the House, keep a larger share of any surplus arising from land sales (at present the first 70 per cent is shared by the Exchequer and a common fund).

Earlier the rules under which the local authorities have been permitted to buy land were eased. Local authorities will now be able to borrow money to buy land where the "net annual cash flow line shows a positive figure within a reasonable period of time." Initially, there had been a limit of two to three years.

Profit

The Government has also told local authorities that it may look favourably on certain deals where break even may be long term or even unlikely so long as other purchases are showing a profit.

Coupled with the new £100m allocation and advice to local authorities (by way of a recent circular) on how to ensure an adequate supply of land through the system, this amounts to a major reinforcement of the Act.

The news was instantly met with strong opposition from the Royal Institution of Chartered

Surveyors, which wants to see the Act repealed and replaced by extensions to current Compulsory Purchase Powers permitting local authorities to buy land for longer term needs.

Mr. Clifford Dunn, chairman of the RICS's public affairs committee, said that Mr. Frieson was "putting his head in the sand" if he thought the Community Land Act was working efficiently.

He denied Mr. Frieson's claim that there was no "land famine" as a result of the Act. The evidence showed a strong imbalance between supply and demand in areas where there was demand. There was no point in aggregating total land supply throughout the country and claiming that it represented a surplus over demand if the main supply was in areas where people did not want to work or live.

He also claimed that not only were private landowners reluctant to sell their land under the Act—because of the penal rate of taxation on any gains—but that local authorities too, lacked incentive because 70 per cent of any potential surplus accrued not to them but to the Treasury and the common fund.

These were the reasons why the Community Land Act had been pitifully unsuccessful in its first two years of operation, not, as Mr. Frieson claimed, because of general economic problems or restrictions on public spending.

The RICS wants the Act repealed and a system of voluntary supply of land re-established. In the meantime it is also calling for a reduction in the rate of development land tax, a corollary of the Act, to be reduced to 60 per cent.

The past few weeks have also seen the Tories make a determined attack on Development Land Tax, the rate for which was due to rise to 80 per cent next March.

Last week the Tories managed to peg the level at its current rate for a further year and it will not now rise from 66½ per cent until March 1980.

The Tories had been attempting to get a three-year stay in the rate rise through an amendment in the current Finance Bill, but in the event a compromise was reached whereby the Finance Bill this year will not include any change in the rate, which will now be deferred to next year's Bill.

The second major Government move has been brought forward because of the recession in the building industry. And in the last Budget, the Government brought in further measures to encourage industry to expand—arrangements have been made for industrial building allowances to be made available to more companies, particularly those moving into the Government's advance factories.

The allowances mean that the full capital cost of factories can be offset against corporation tax—40 per cent in the first year and four per cent a year over the next 15 years. However, the rules apply only to companies with a leasehold interest longer than 50 years.

Nevertheless, these measures have been welcomed in some quarters as a long overdue fillip, albeit a small one, to the depressed industrial areas. These incentives, if they attract companies, will give some relief to chronic unemployment, it is argued. However, the reality might be less comforting. The Government's policy of offering advanced factories has already had the effect of cutting back on commercial competition in the development areas. These budget changes could add to this competitive edge.

But this argument is unlikely to detract such bodies as the EIEC. Its strategy is to build factories ahead of demand and by doing so, possibly encourage demand that might not otherwise exist.

The EIEC argues that factories should be immediately available to take advantage of any industrial expansion.

For most industrial premises, custom-made buildings are unnecessary so long as the buildings are reasonably flexible in terms of design. Therefore, it is possible, within certain broad guidelines, to build factories without knowing what activity

will subsequently be going on inside it. Essentially, the basic principle has been to build modules on a steel frame to a unit construction. They are normally of one storey and can be easily extended to suit future requirements. At least four variations of advanced factories are available, with a typical unit having an area of around 15,000 sq. ft. In addition, the EIEC has built a number of nursery shells of between 2,500 and 5,000 sq. ft., designed especially for the small tenant—a concept which is becoming increasingly popular for the building programmes in inner cities.

As the buildings are constructed for factory use rather than, say, warehousing, the interior height is limited to about 16 feet. A typical unit would have office and toilet accommodation with power installed.

In all cases, a tenant merely has to arrange with the local electricity board to switch on the power before moving in the machinery. Factors such as passenger and freight transport, and road and rail links, are considered before construction is started.

The average rental for a typical unit is around £14,000 per year. Last year, the EIEC's rent roll was £3.97m. In total, the EIEC has built 170 estates and sites, occupying an area of 3,560 acres. The current building programme includes 90 factories or 180 lettable units on 1.3m sq. ft. with another 200 factories in the planning stage amounting to a further 1.6m sq. ft.

The EIEC's activities are mostly concentrated in North East and Cumbria, where more than 27m sq. ft. of factory space has been built. Of this 2.1m sq. ft. is ready for immediate occupation while another 1.6m sq. ft. is currently under construction or in the planning stage. More than 400 com-

panies currently occupy EIEC factories in the area.

In the North West (Merseyside and Greater Manchester), where the EIEC has its second largest concentration of activity, 61 companies have been accommodated in Government factories and they employ 23,000 people. In total 5.4m sq. ft. of factory space has been erected of which 290,000 sq. ft. is ready for immediate occupation. An additional 720,000 sq. ft. is being made available, including 22 factories currently under construction and a further 40 in the planning stage.

Elsewhere in the country, the EIEC's activities are concentrated in Yorkshire and Humberside where 34 companies, employing 1,000 people, have been accommodated, while in the South West (Cornwall and the assisted areas of Devon), 28 companies give work to 3,000 people. The factory space built amounts to 900,000 sq. ft. in each region while the combined volume of current and future work totals another 500,000 sq. ft.

Basically, rents for Government factories are set over a 24-year period, reviewable every five years, and based on a district valuation.

Government factories can also be bought on a 99-year lease, with ground rent again based on local valuation and subject to revision every 10 years.

The total cost can be amortised at current interest rates up to 15 years. However, because of the flexibility needed, most industrialists prefer to rent. Factories may be provided rent free for the first two years if the number of new jobs created justifies it.

Arnold Kransdorff

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FOR THE amount of building work it undertakes, one could be forgiven for assuming that the country is in the middle of a building boom. Almost 3m sq. ft. either under construction or on the planning board is no small beer, even for the larger building companies.

In this case, the builder is the English Industrial Estates Corporation, developers, letting and managing agents for the Department of Industry's portfolio of estates in the English counties.

The EIEC, created in 1960 to continue the policy started in the 1930s of using government money to encourage industrial development, grew from a number of regional companies, including Team Valley Industrial Estates in Gateshead, the West Cumberland Development Company and North West Estates, based in Liverpool. Now, 42 years on, the EIEC is responsible for almost 34.5m sq. ft. of property. The Government has similar schemes elsewhere in the UK, administered through the Welsh and Scottish Development Agencies, but the EIEC remains the country's biggest industrial landlord.

Its brief has been to encourage industry to settle and expand in areas where new job opportunities are needed. To date, the EIEC's score is 550 companies employing around 114,000 people in parts of the country where unemployment is higher than the national average. For example, in the North East and Cumbria, one of the country's highest unemployment areas (currently the figure is running at around 8 per cent) the number of people employed on factories built by the EIEC number 88,000.

In essence, the Department of Industry, through its agencies, implements programmes of building advance factories to secure regional development objectives. Recently, however, building pro-

grammes have been brought forward because of the recession in the building industry. And in the last Budget, the Government brought in further measures to encourage industry to expand—arrangements have been made for industrial building allowances to be made available to more companies, particularly those moving into the Government's advance factories.

The allowances mean that the full capital cost of factories can be offset against corporation tax—40 per cent in the first year and four per cent a year over the next 15 years. However, the rules apply only to companies with a leasehold interest longer than 50 years.

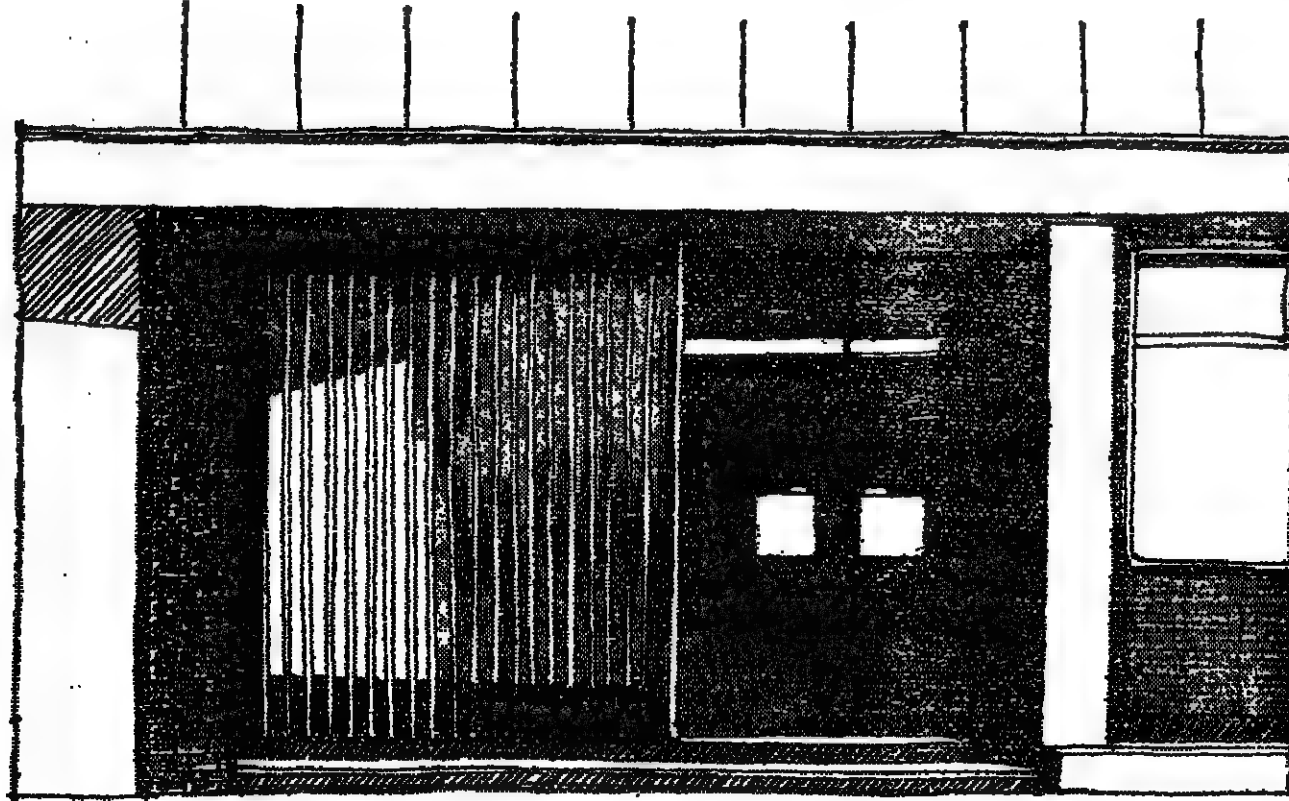
Incentives

Nevertheless, these measures have been welcomed in some quarters as a long overdue fillip, albeit a small one, to the depressed industrial areas. These incentives, if they attract companies, will give some relief to chronic unemployment, it is argued. However, the reality might be less comforting. The Government's policy of offering advanced factories has already had the effect of cutting back on commercial competition in the development areas. These budget changes could add to this competitive edge.

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PROPERTY VIII

Industrial market improves

THE INDUSTRIAL property market continues to improve with rents moving upwards and speculative building showing quite dramatic increases. However, without a significant upturn in the economy, and therefore demand, a question mark must hang over its future.

With a continuing shortage of land and rising construction costs the asking rents for choice industrial properties can be confidently expected to continue to rise but whether, in the absence of expanding production, the overall cost savings associated with modern industrial property will be a sufficient incentive to maintain demand remains to be seen.

King and Co., the leading industrial property agents, believes the rate of increase of rents may slow soon unless there is a significant pick-up in the economy and industrial confidence. However, Mr. James Morrell, director of the Henley Centre for forecasting, suggests that severe competition and the need to survive constitutes a major incentive for industrial building investment in coming years because "fairly predictable and substantial cost savings are attainable."

What are beyond doubt, are the hard facts of the market's performance during the past year. Faced with an acute shortage of land, site prices have soared. There has been a dramatic increase in rents and, in the last six months, a significant increase in speculative building. Site prices of over £200,000 an acre, rarely seen even during the boom of 1972, are now common for prime

locations in the South East. The highest prices are being recorded for sites with quick access to the ends of the M1 and M3 in London and round the capital's airports where one year ago prices rarely touched £100,000 an acre.

Similarly in the Leeds and Sheffield area land prices are said to have doubled in the past year to a present average of about £60,000 an acre and in the East Midlands land prices in Leicester are now running at about £50,000 an acre. These prices reflect a continuing acute shortage of prime development space in a market swollen by property-hungry institutional investment fund managers.

Factory

The enthusiasm shown by the funds for factory and warehouse investments has shown no signs of easing. Recent surveys suggest that in 1978 pension funds alone could be spending up to £375m in the industrial property market.

While higher site prices must obviously increase the rents of new industrial properties, increasing rents are one of the reasons for the present fashion for industrial property investment. A number of recent rent surveys have demonstrated the pace and the consistency of industrial rent growth and read as sound economic sense to fund managers.

One survey compiled by stockbrokers Panmure Gordon suggests that in the 16 years between 1960 and 1976 industrial rents in the South East rose by 340 per cent, more than double the increase in shop rents and well in line with office rents.

Faced with these figures some of the traditional prejudices against industrial property have faded. Industrial rents have weathered the recession, and continued to rise more than shop or office rents because they represent a less significant part of total costs and are therefore more flexible.

This upward trend has accelerated during the past year with some of the latest surveys suggesting increases of up to 25 per cent in industrial rents in the South East and a countrywide average increase of 10 per cent between September last year and March 1978. The starting point for these dramatic increases appears to have been last summer when greater confidence in the pound manifested itself in greater demand.

Rentals of £1 a square foot coupled with a stepped increase towards the first review disappeared and rents in West and North London in particular showed a rapid recovery, especially for units over 30,000 square feet, as demand outstripped supply.

While the figure of £2 a square foot had remained as some form of psychological barrier this figure has now been breached and is widely acceptable, particularly around London's airports. Elsewhere in towns like Swindon, Bristol and Oxford rents are now reaching £1.50 a square foot. The increase in

rents in the Manchester area has been slower due to an oversupply of medium sized units but now range from about £1.30 in the South of the City to £1.50 per square foot in the central area.

In Birmingham prime industrial space now attracts rents of £1.40 a square foot. The North East stands out as an area in which the market has been rather quiet with rents remaining relatively stable at £1.20 a square foot in Newcastle and £1.25 a square foot in Middlesbrough.

Insofar as these higher rents do reflect growing demand rather than other factors the electronics, pharmaceutical, petrochemicals, plastics and printing industries appear to have been most active. In the warehouse market discount warehouses among consumer durables and engineering companies, particularly those associated with the motor industry, appear to have taken up some of the slack.

Another important factor beginning to show through in higher rents is construction cost. During the depths of the recession contractors squeezed profit margins to the limit in order to win contracts and keep their basic workforce together. This has now become less necessary. Construction costs are said to have more than doubled during the last three years and much of this increased cost has been absorbed by the contractors and has not shown through to development costs and rentals. The building industry remains depressed and so these costs are unlikely to be fully passed on for the time being, but they do represent an ever growing upward pressure on rents.

The light and patchy increase in demand within the market is reflected in the latest survey compiled by King and Co. This shows that from mid-December 1977 to mid-April 1978 the total amount of available industrial property for sale or let dropped by 6 per cent. This continued decrease followed an overall reduction of 11 per cent during 1977 reversing the trend in 1976 when there was an increase of 12.2 per cent and in 1975 when there was a massive 122 per cent increase.

The survey shows that in mid-April this year there was a total of 70.9m square feet of empty space in England and Wales consisting of 28.8m square feet of warehouses and 42.05m square feet of factories.

While these figures do not reflect the real shortage of modern industrial space, because much of the total can be considered inadequate or unsuitable for use, the breakdown of the reduction in available floor space does provide an important insight into the market.

The overall improvement in the four months to mid-April was entirely accounted for by the warehouse sector and was confined almost in total to the London and Home Counties where demand has run ahead of supply. Available space has fallen from about 16.7m square feet in mid-December to 12.4m square feet in mid-April. Elsewhere in the country, with the exception of the Avon and South West area, the amount of available warehouse space actually increased and overall the percentage of warehouses over 10 years old available for sale or let rose from 46 per cent in mid-December to 52 per cent in mid-April.

The acute shortage of prime industrial space is best illustrated by remembering that it is calculated that in 1977 total factory space stood at 2.58m square feet and warehouse space at 1.1bn square feet. Against these figures the total 70.9m square feet of industrial space available in mid-April represents

only about 4 per cent. King and Company says this shortage is particularly pronounced for warehouses of about 10,000 square feet and is worst around Heathrow.

Nursery units and small factories of about 5,000 square feet are also in particular short supply, as they are whatever the economic climate. However, correlating survey statistics to changes in demand can be misleading. For example the slight increase in available space outside the London and Home Counties area does not necessarily reflect a drop in demand, and indeed it could reflect an increase coupled with a growth in building volume.

It is also true that the shortage of sites has encouraged the demolition and redevelopment of older factory complexes and while this might be expected to result in a decrease in manufacturing floor space, King and Company says it has been offset by the reconstruction of a number of large factories once occupied by a single company but now divided and offered as single units for letting or sale. This is a trend which can be expected to continue.

Reflected

The lack of real sustained increase in demand for factory space is also reflected in the breakdown of the factory figures which show that the only areas to experience a reduction in available space were London where the total fell from 10.8m square feet in mid-December to 9.3m in mid-April and in the East Midlands. Elsewhere in the country demand has been relatively static, with the actual total available factory space actually increasing by 2 per cent. The survey also records that the percentage of available factory space aged over 10 years has fallen from 80 per cent in mid-December to 74 per cent in mid-April.

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New-found confidence in the market is in evidence in the dramatic increase in speculative building volume during the four months to mid-April. The King and Company survey suggests this increase is in the region of 42 per cent, or nearly 2.5m square feet of which some 88 per cent is principally due to speculative investment by the private sector rather than advance factories being built by the public authorities.

Public authority building has however not decreased, says King and Company, but simply remained relatively stable.

The total amount of industrial property under construction in mid-April for occupation within six months was 8.37m square feet, excluding extensions or premises companies were having built for their own occupation. This compares with a relatively static level of building averaging about 4.7m square feet for each four monthly survey between August 1973 and December 1977 when the actual total amount of space under

construction had lifted slightly to about 5.9m square feet.

King and Company describes the mid-April 1978 figure as a "dramatic improvement" in the development climate following a year of only gradual increases with the national increase repeated in all the regions except Home Counties North, and East Anglia where there was a small drop.

Increases

Over the four months to mid-April the Home Counties South, West Midlands and North East regions all recorded increases of over half a million square feet. Warehouse developments claim the lion's share of this increase, as they have done for the ten years to 1977 when total warehouse space increased by 77 per cent compared to an increase of only 10 per cent in factory space.

This enthusiasm among developers for warehouses reflects the relative strength of demand from the distribution industry as it follows the national change in transport patterns towards motorway linked depots. Overall King and Company say the industrial property market is at present in equilibrium, as one would expect to find in an industry where construction periods are relatively short. The company rejects suggestions that the investment fashion for industrial property development has run ahead of industry's demand or ability to pay higher rents, although King and Company accept that the market is "marking time" and that rental increases could "slow up" in the near future.

It is still widely predicted that tenants will be paying rentals 20 per cent higher than those of January by the end of the year, but there may be a slight "hiccup" in the rate of increase later this year unless there are significant changes in the state of the economy.

Ultimately industry's ability to pay these higher rentals, and its need to expand into new and more expensive accommodation, must depend upon an upturn in the economy and specifically an increase in levels of production.

Paul Taylor

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ACCORDING TO the latest analyses of the property market in the City of London the key to the next three years is "balance". Each of the independent surveys of supply and rate of take-up is now pointing to a balance between supply and demand until 1981, with the exception of the specialist demand from users of 100,000 sq ft or more. They will certainly find a distinct lack of available space, but for the remainder of the market there will be an adequate flow of space until the new development programmes reach completion in 1981.

The view that supply and demand in the City is fairly evenly balanced is one which has been growing in popularity for some time but last month it received a virtual seal of approval when it formed the central pivot of Richard Ellis's latest review of the City market. Briefly, Richard Ellis points out that existing space available—around 2.6m sq ft in May—plus the small but steady flow of new developments coming on stream between now and 1981 (1m sq ft per year) will be adequate to meet what is emerging as a steady take-up rate of between 21m and 3m sq ft a year.

Vacating

In addition, each move by a substantial space user frees further space on to the market. For instance, by moving to Angel Court Morgan Guaranty will be vacating some 50,000 square feet of offices it presently occupies. NatWest Bank's eventual transfer to its tower will free as much as 100,000 square feet in buildings which it is currently renting. Those buildings, while not brand new prime stuff any more, are modern and adequate for most users' needs.

City space analysts have, it seems, at last wakened up to the existence of a significant element on the "supply" side of the equation which they have previously ignored. In the U.S. the space vacated as tenants shift around the cities is known as "carry over" space and it is recognised to go back into swelling supply.

It is true that this space is not usually classifiable as prime. It is usually not absolutely new and may be in need of fairly elaborate redecoration and fit-

ting out. For that reason Richard Ellis does point out that there will be a shortage of prime new space over the next three years or so. The 1m square feet of new developments each year will only mop up around half the demand that exists for such space, based on the take-up rate for this type of property over the past four years. In fact a shortage of prime modern space in the banking and insurance villages in the City will occur by next year, as will a shortage of properties offering over 100,000 sq ft of space.

This is likely to lead to the creation of a distinct two-tier market in the City, with new prime or large buildings fetching substantial premiums at letting over the average rental for good modern premises. Such a tiered system could in fact be a real advantage for the City in that it could once again make it worthwhile for developers to seek out sites for new projects in the knowledge that new buildings would meet their costs through appropriately higher rents.

To some degree a system of tiers has always existed within the City. Small suites in that Lloyd's area have always commanded rents well out of line with those in the rest of the Square Mile. Today, for instance, they are changing hands at around £22 a foot compared with the £14 or so which is typical of good air-conditioned stock generally.

Even the figure of £14 a foot is of course achievable only by a small proportion of the City's buildings. It was achieved by Hampton and Sons, for instance, in letting 14,000 sq ft of Trafalgar House's "scaffolding" block in Cannon Street. It was also achieved by Richard Ellis acting for Legal and General and the Post Office on their 85,000 sq ft St. Mary's Court.

The figure is a pointer to minimum rents likely to be paid for the new space coming on the market this year, but the average rent paid for adequate but not brand new space is more likely to be well below this.

For tenants a more accurate indicator might be £9 to £10 a square foot. This would buy space more than adequate for all but the most prestigious headquarters.

It is a curious fact that estate

agents generally have come to accept that these are realistic levels of rents in the City (one cannot help but recall the days of 1972/3 when tenants were encouraged to believe that all lettings were being done at the £24 a foot levels which in fact pertained only to small suites in the Lloyd's village).

Unlikely

Moreover, most will admit that the levels are unlikely to move upwards for some time. Given the fact that supply has dropped over 60 per cent from its peak in May 1977, when "pundits" were predicting soaring rents since supply amounted to "only" 10 per cent or so of the City's total stock, one might have expected the warnings of shortage to have intensified.

Then too, the number of buildings on the market offering 50,000 square feet of space—also thought a vital indicator last year and in 1976—has also halved. There are only some five of these blocks available today. These factors would have had some agents predicting dire shortage last year. Now they are content to claim adequate supply for three years or so.

At that point a number of major new developments will be coming on stream. Foremost among these will be the joint venture between Standard Life and Greycoat Estates in Cutler Street which will offer 790,000 square feet, and Whitbread's 520,000 square foot project on its Chiswell Street brewery site.

Perhaps more significantly, the current climate is also encouraging a number of other property owners to dust off their development programmes and bring forward building dates. Among them is Baring Brothers, which together with Electricity Supply Nominees (which will take a 60 per cent equity stake) is going ahead with its 145,000 square foot redevelopment at 8 Bishopsgate. The £15m construction contract has recently been awarded to Wates.

Wimpey too, through its Wingate Properties subsidiary, is to steam ahead with Phase 2 of the Wingate Centre in the Minories. Instead of being spread over two stages, the

85,300 square feet will now all be built in one phase, a reflection of the satisfaction that Phase 1 is now fully let at around £10 a foot and sold on to an institution.

The next couple of years should also be noticeable for a steep increase in the amount of spare undergoing refurbishment. As one property man put it last week "you soon won't be able to move for shoots and skips." A very high proportion of the City's relatively modern buildings are all coming up to the time when they will need pretty extensive refurbishment—a fact which has not been highlighted nearly sufficiently.

Considerable attention has been focused recently on the bunching of rent reviews in City properties which will mean hefty numbers of reversions over the next three years. What has only been mentioned in passing is that the bulk of these reviews are for 14- and 21-year periods, a long time for a building to receive only cursory maintenance.

Unless these properties are brought up to standard again there could indeed be a shortage of adequate space in the City. In any case tenants will not be prepared to pay a full rack rent for premises which have not had an overhaul for 15 years or more.

This will put pressure on investment companies and institutions alike. On the one hand they will want to maximise rentals but on the other they will be chary of the hiccup to revenue which will occur first during a void period while refurbishment is carried out and secondly as the costs of the refurbishment eat into gross rental income.

No studies of the effects of wide-scale refurbishment on revenue projections have been undertaken so far—the figures may well be impossible to quantify—but already some stockbroking analysts are making a stab at them.

From the point of view of tenants, however, the next 18 months or so should see a fairly stable pattern of rents, followed by a period when asking prices may rise as landlords seek to cover the costs of their refurbishment works.

Christine Moir

PROPERTY IX

Renovation can pay dividends

THE CONCEPT of property refurbishment is no doubt close to the hearts of many conservationists, particularly in London, but it is equally interesting to businessmen. Though the relative cost of refurbishing a property rather than knocking it down and starting from scratch can vary enormously, refurbishing does work out cheaper in most cases and the results are well worthwhile.

Certainly some building companies have seen themselves through a few very lean years for the building industry as a whole by relying on renovating old properties, and the healthy state of their balance sheets bears witness to the underlying strengths of this end of the market. Haslemere Estates, the country's leading company in the renovation field, is a case in point.

The conservation argument is obviously important for the community as a whole, but the selling point for the tenant is that he can have an office with a distinct character. Often tenants are professional firms or the head offices of companies which have decentralised their staff.

Tower

For both tenant and developer the cost factor is a major factor. Refurbishment costs are very much lower than complete redevelopment. There are no hard and fast figures because the overall cost varies with how far the renovation is taken. As a guide in London refurbishing costs can be anything from £12 to £35 per square foot. A complete redevelopment could cost as much as £70 per square foot. So refurbishing can represent a considerable saving, perhaps as much as halving the expenditure, though perhaps a saving of a third is more typical.

But regardless of the cost it is the end-product that attracts a lot of businessmen. What they are getting is a quality building with all the luxury which came with a different era in building. Plenty of wood panelling, wide staircases and ornamental ceilings make up the general decor, but behind the scenes is a complete range of modern services, including "a lot out of the 1980s."

One big problem for the refurbishers is that before they start it is very difficult to cost

the overall job. If the costing is wrong the whole development can prove a failure. When Haslemere prices a job it will top up its estimate for an element of unforeseen contingencies. The latter can be anything from dry rot through-out the structure to the need to rebuild the complete foundations.

The problem for a company such as Haslemere if it wants to operate outside the capital is that resistance to rent levels comes at a much lower figure. Mr. David Pickford, managing director, puts that figure at around £8 per sq. ft. At that level it would be inappropriate for Haslemere to contemplate "the full treatment." However, inside London and in some parts of the South East there is plenty of scope.

As shown by the accompanying graphs, reproduced from a recent Richard Ellis review, most of the refurbishing activity in the City is of smaller units. Since the beginning of 1974 a total of some 51m sq ft of office space has been developed in the City. Around two-thirds of this related to refurbishing rather than redevelopment.

The smaller units attract refurbishing because it becomes economically more viable than a complete rebuild. In addition it is the smaller buildings which have tended to remain unchanged, thus providing an ideal opportunity for

renovation. Most of the larger schemes, providing space of over 30,000 sq ft, were redevelopments. A lot of this redevelopment was initiated during the period of undersupply in the early 'seventies.

The majority of the redevelopment schemes have been at the eastern part of the City, while smaller refurbishment developments have been spread throughout the City centre where opportunities for major redevelopments have already been used. However, there was some major refurbishing work around the Cannon Street area.

Most companies tend to concentrate on redevelopment rather than renovation through the institutions, such as insurance companies and pension funds, tend to be more active in instigating refurbishing of their existing property holdings.

Outside of central London opportunities for full refurbishing are more limited because the ultimate rental would not justify the cost. However, there are exceptions. Haslemere quotes the case where the freehold was given to the company by Hounslow local authority for a small Georgian property. Haslemere took on the full cost of renovating this fairly small site—about 3,000 sq ft—which would have been uneconomical for the local authority.

Opportunities like this are

admittedly rare. However, it is not unheard of for the company to be approached by local authorities who have listed buildings under their control with permission for office use. A local authority may not have the capital or the specialised workforce to undertake renovation but a partnership with one of the firms who concentrate on this work can obviously pay dividends.

However, while an older building which has been completely renovated may be appealing to the eye, it is usually uneconomical by modern standards. The net office area against the gross footage is usually much smaller, and office dimensions may be all wrong for current working conditions. An office

with an area capable of being used by a statistical 24 persons obviously means that only two people can use it. The rest is wasted space. Modern office blocks are based on getting as many people packed in to as small a space as feasible.

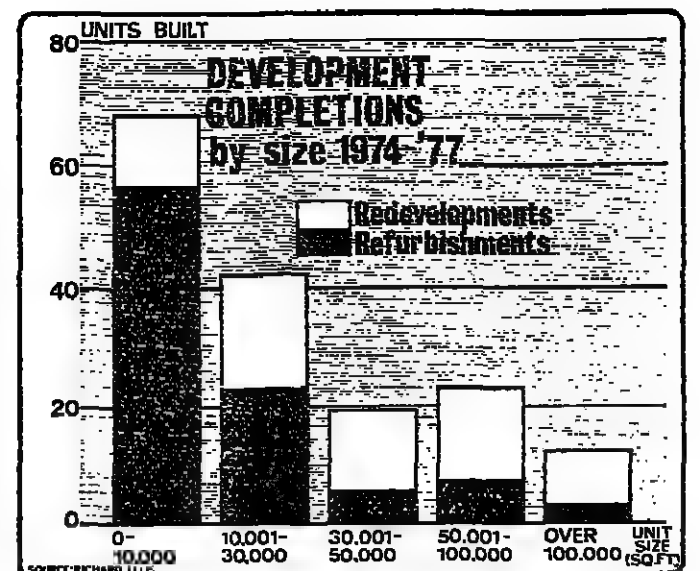
So renovation is mainly aimed at the prestige market, something for professional firms and head offices. In London older premises which have been "done up" are often popular for selling offices of UK companies whose factories are in the provinces, or as UK branches of overseas companies or financial institutions.

Industrial refurbishing is far more rare than in the office world, though it has been proved a viable proposition.

Obviously with some older factories renovation is out of the question, though many post-war sites can be extended and modernised.

The usual type of candidate for industrial renovation is the one-storey building which can basically be used for anything. The roof can be lifted and though it is obviously a mammoth job the rental value can be doubled. This sort of development is generally only viable where factory space is at a premium. As with office space renovation is really only feasible where the location is in demand. Hence the reason that so much work is done in the capital compared with the provinces.

Terry Garrett



Shop rents still rising

THERE CAN be little doubt that shop rents will continue to rise ahead of the sector average over the next 12 months. The gradual relaxation in income controls over the past year—which has seen average earnings rise twice as fast as the inflation rate—is now being felt in the retail market, with consumer spending up sharply following last year's depressed levels.

In the three months to end April sales were about 1.5 per cent up on the November-January period and were nearly 4 per cent up on February-April last year, according to Department of Trade statistics.

This rise in consumer spending, in addition to a shortage of prime retail sites, has meant that shop rents are rising rapidly. But even during the recession shop rents never fell from favour, confirming traditional investment ratings as non-cyclical counter-inflation holdings.

This strength of the shop property market even during the recent recession was based on two main factors. First, it took some time for consumer spending power to be significantly affected by incomes policy, which meant that spending was able to keep pace with inflation. This enabled many retailers to maintain their turnover in terms of value if not

volume. Secondly, the lack of new shopping centre developments, coupled with the acceleration of the trend towards shorter prime shopping pitches, placed a premium on the supply of prime shops. Investors became aware of the prospects of rental growth against a climate of economic slump.

Classic

Shop rents levels are one of the classic examples of the interaction of supply and demand. The rent for a shop in Oxford Street is more than 10 times the level of a shop of similar size in a small town. The difference is due to competition for a prime location. Supply, however, is more easily judged. The stock of shop premises alters only as new developments are opened.

Growth in retail sales volume is mainly the product of population increase and greater personal wealth. In recent years both population and personal wealth have shown signs of decline, so the long-term effect on retail sales would be expected to be adverse. However, such factors as the increased number of tourists coming to the UK has helped mitigate this. The rate of retail sales growth past the current year cannot be forecast with

absolute certainty, but it seems likely to be at least at the 1 per cent per year level maintained during the 1960s. It seems likely therefore that retail sales will at worst hold steady over the next five years and at best show significant real growth.

Another factor which has an influence on shop rents is the shortening of the rent review period. Even though rent reviews are for a mixture of 21, 14, seven and five-year periods, the tenant on average will have his rent trebled on review as a result of inflation. The question is whether the increasing number of shop tenants being faced with swinging rent increases in each year will have an effect on the market level of rents. Normally the shortening review period would have the effect of reducing the gap between historic and market rents, but the rise in inflation has prevented this from happening.

Market rent for shops must reflect to a certain extent the balance of supply and demand, and demand must ultimately depend on the appetite of the retail trade for space. Broadly, it would be expected that real sales growth would encourage a rise in rents. But there are several trends in retailing which are often felt to work against rental growth. The first is the increase in

efficiency which occurs on existing floorspace. Using modern techniques a shop can accommodate extra sales without expanding its floorspace. Secondly, there has been a growth in large stores, often ground leased, at the expense of rack-rented shops. Thirdly, there has been a movement away from town centres, particularly to new large supermarkets. While rising retail sales would tend to lead to rents increasing, new shopping developments might tend to depress them. It is difficult, however, to establish the level of increases in floorspace.

One factor especially relevant is the growth of the hypermarket and superstore. At present there are around 180 superstores/hypermarkets trading in the UK, with a further 50 outlets having planning permission.

Estimated

Overall, it is estimated that there is nearly 6m sq ft gross of floorspace under construction. The total includes the giant developments at Manchester and Milton Keynes which at around 1m sq ft each will be two of the biggest comprehensive shopping schemes in the country. Following the noticeable re-

laxation in local and central government opposition to the large store developments, the leading hypermarket operators have been pressing ahead with schemes. One recent opening was also Carrefour's largest. This was sited at Walmley Ash Road in Minworth, north of Birmingham. It covers 148,000 sq ft, 70,000 sq ft of which is a single selling area. The building is surrounded by space for 1,300 cars.

The involvement of the major institutions in shopping centre development has been less marked since the introduction of the Community Land Act. There was, for example, the highly publicised case of the Post Office Staff Superannuation fund's pulling out of phase two of the Washington Town centre because of the liability to Development Land Tax following the leaseback. But that inhibition has been cleared away with the amendment to clause 45 of the Act.

So far, however, there has not been a spate of institutions flowing back into shopping centre development, though this is mainly because of the uncertain economic climate. The improved outlook should see a substantial return of interest which will undoubtedly help push up shop rents even further.

David Churchill

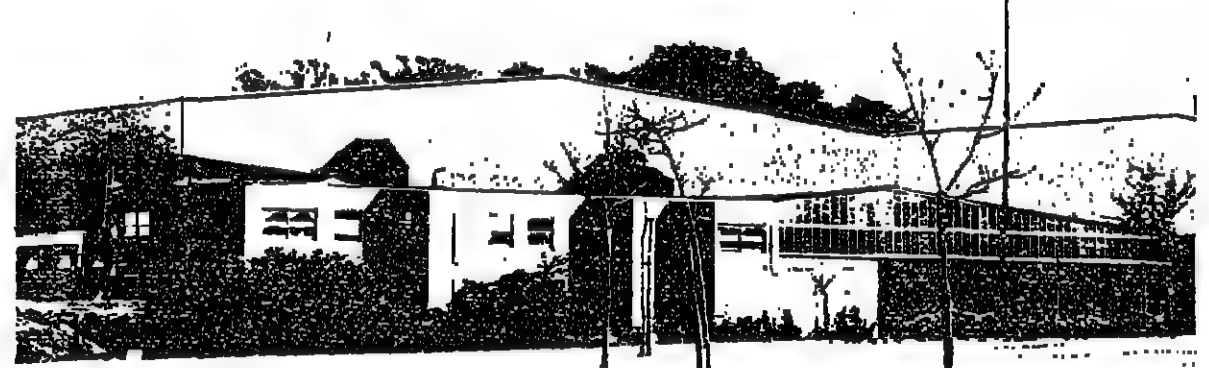


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PROPERTY X

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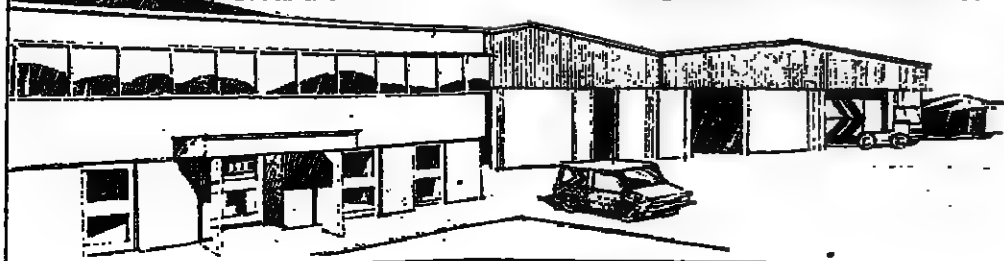
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THE RESURGENCE in property activity has brought a renewed vigour to the North West, an area which has always suffered heavily because of its image as a graveyard of derelict textile factories. The image was never true but images are hard to kill. There are signs now that with Government assistance, the image is being destroyed once and for all, and a new one in the making.

A recent survey of the region disclosed that nearly a quarter of the property which was on the market a year ago has been successfully let. As in many other industrial areas, there is some disquiet with the evidence that it is space for warehousing, rather than manufacturing that is in demand. But all sources would agree that anything is better than a return to the grim days of 1973-74 when industrial building ground to a halt and any number of projects stood idle in the pipeline with no buyers in sight.

Government recognition of the region's special problems have been an important factor in getting the market moving again. Liverpool, Manchester and Salford are included in Government partnership for the rebuilding and stimulation of activity in city centres. The areas of the Wirral, Bolton and Oldham have been identified as having the special inner city problems worthy of support by way of central funds, with particular attention to the possibility of building nursery factories, and in Manchester there have been fresh attempts to disentangle the problems involving the 23-acre Central Station site, which has been vacant for ten years and on which the City would like to build a major conference and exhibition centre.

Reports from the Manchester area confirm that there is now a ready demand for industrial property and, more heartening, that this demand centres on the larger properties in the 45,000 sq. ft. range. In the centre of the city there is a good flow of inquiry for office property. Factory properties lie mostly outside Manchester. The most

dramatic building currently on offer is the 624,000 sq. ft. mill formerly operated by Courtaulds at Stelmensdale, for which £2.75m is asked. The North West Industrial Development Association has recorded 114 new developments in the region, with several major developments attracting financial support. A typical development is that of Thames Board Mills, which is to receive some £30m towards the £100m cost of extending its plant at Worthington.

The building of Government advance factories has been a feature of industrial development. Such factories have been set up throughout the region, and recent lettings include premises on the Knowsley Industrial Estate and the Rock Ferry Industrial Estate, both on Merseyside, as well as at Cleaton More and Barrow in Furness.

Adverse

Merseyside, which has had more than its share of adverse publicity in the past couple of years, is now attracting interest from Continental estate agents seeking industrial properties for their clients. The Rock Ferry Estate, set up in 1976, in which the Government undertook its largest advance factory programme on record, has succeeded in letting about three-quarters of its 16 units.

Similar success on the industrial property front is reported from adjacent areas, such as there have been fresh attempts to disentangle the problems involving the 23-acre Central Station site, which has been vacant for ten years and on which the City would like to build a major conference and exhibition centre. Reports from the Manchester area confirm that there is now a ready demand for industrial property and, more heartening, that this demand centres on the larger properties in the 45,000 sq. ft. range. In the centre of the city there is a good flow of inquiry for office property. Factory properties lie mostly outside Manchester. The most

built advance factories and Government encouragement and sometimes finance for local efforts is spread widely throughout the North West. In Warrington, the development corporation has so far built about 2.5m square feet of new industrial development. The town is ideally situated, with Greater Manchester and Merseyside close to hand. It also has that pearl among industrial assets, which is at the hub of a motorway network. The list of major concerns due to move into Warrington already sounds like a role call of industry and commerce. But there are plans to build a further nine factories this year.

Similar plans have long been under way at the new town around Preston and Chorley. Some 60 factories have already been built and development is unlikely to find takers. But the deeper problems lie in the older mill towns, where the old multi-storey buildings are unlikely to find takers. The danger here is that these older buildings, while hardly suitable for modern business, will stifle new building.

North East Lancashire alone is believed to have some 1.5m sq. ft. of unused mill space "available." Suggestions have even been put forward for such mills, but this would be demolishing the upper floors of difficult and dangerous operation. Moreover, it is hard to see how such a policy alone could solve the problem, which essentially is what to do with old outworn buildings.

But the stimulation provided by the Government's advance factories has contributed to the undoubted recovery in industrial rents in the past year. It is suggested that they are now rising strongly enough to enable builders to take a chance on the continued rise in building costs, which some put at 30 per cent during the average construction period. Certainly there are signs that developers are able to add about 35 per cent on to the rentals of buildings originally planned two years ago.

But the problem remains that

these successes are restricted to a few areas, and that over a wide sweep of the North West industry is still suffering very badly and property development can only rely on Government encouragement. Some sources complain that even when private industry does follow the Government lead, capital spending on property is curtailed by a nervous South of England boardroom.

The North West Industrial Development Association points to both good news and not so good in its regular surveys of the region. At January last, reported the Association, lettings of both industrial and office floor space were increasing. This was highlighted by the letting of some 1.2m sq. ft. of industrial property on Merseyside in the 12 months to October last.

But with so much depending on the recovery in industry, the region's property developers will be the first to be hit should the upturn throughout the UK show signs of slowing down. It is for these reasons that property men in the North West find themselves more closely

linked to the general fortunes of industry than is the case elsewhere in the country.

The continuing decline on Merseyside, which leaves the area with that most destructive of combinations—a port faced with falling revenues at a time when it is desperately in need of rebuilding and modernisation—is a particular source of concern. On the face of it the port areas offer the greatest opportunities to property developers. But in the general background of gloom it is hard to see any immediate opportunities.

Perhaps the clearest example of this compulsive link between property development and industrial prospects has come in Lancaster, a proud city which ran into trouble in the sixties when jobs suddenly disappeared as the textile industry took on a new shape. In an attempt to attract new business to Lancaster, Enterprise Lancaster was created. The city contains two development estates, one privately and one publicly owned, and the chief executive set about the task of bringing

business back to the town. Meanwhile at nearby Heysham a Manchester agent is at work trying to sell a 240-acre site recently vacated by Shell and ICI.

Both the local authority and the private property sector have the same problem: how to find property buyers in an area from which industry has been pulling out during the post-war period. It is hard to see how the property sector in the north west can continue to expand unless the industrial problems of the region are solved. Opportunities for tourist development are limited—although some brave attempts have been made on the sea coast. And, it is unlikely that private housing can expand very far if the industrial base does not do so first.

The current recovery in property values will be viewed with some uncertainty until developers are convinced that private industry can sustain a growth pattern.

Terry Byland

Wales looks for more investment

FROM A commercial viewpoint, Wales has an unhealthy image. The relentless rundown of the country's traditional industries has created an air of depression that is very real indeed. Labour shedding in coal field and steelworks continues at a high rate, and despite the considerable efforts of both local and central government to create fresh job opportunities, unemployment in the industrialised regions remains way above the average for the UK as a whole.

As a result business confidence in the principality stands at a predictably low ebb and the investment climate is just about the reverse of ideal for the property market. At the turn of the year prices and activity in the residential sector were moving up sharply in line with the recent mini-boom in housing, but for the most part the industrial and commercial sectors have stayed depressed.

Ironically the major industrial regions of South Wales, where something like three-fifths of the population of the country is clustered, boast a healthy enough infrastructure. They have the workers, the sites, the harbours, the airports and the motorway and rail connections to prosper. All that is lacking is the right level of investment.

To their credit, however, the Welsh authorities are tackling the problem with vigour. The Welsh Land Authority, which administers the Community Land Act in Wales, has an aggressive programme of acquisitions on hand. Similarly, the Welsh Development Agency backed by some £160m of Government money has launched an impressive programme of factory building.

In its first year of operation the Welsh Land Authority acquired over 400 acres of land in sites ranging from one acre to 160 acres. Recent statistics from the WLA underline how active its management have been: at the end of March some 677 acres were held for development with an estimated realisable value of £6.6m.

The programme of new factory building launched by the Welsh Development Agency is the most advanced yet seen in Wales. Overall, the WDA aims to provide some 3.5m square feet of modern factory space throughout the country. A recent tally shows that 57 factories with a total area in excess of 600,000 square feet have been formally, or provisionally, allocated.

While the WDA is doing its best to keep the industrial pro-

perty market in South Wales and North Wales ticking over, the central part of the country is being supported by the Development Board for Rural Wales. This Board was set up in 1976 with the aim of co-ordinating building development in the area. As well as carrying out its own factory building programme, the Board has the power to expand into residential markets as well as help with social and community projects.

The Board's initial development programme envisages the construction of more than 400,000 square feet of factory space over the next five years. It claims to have identified a "number of major growth centres" which will accommodate factory units of 10,000 square feet or more. Elsewhere, unit sizes will be limited to around 5,000 square feet. The Board is offering low rents and rent-free periods as part of its policy of attracting industry. Together with the WDA it is also prepared to put up a certain amount of initial finance.

Grants

The most dramatic example of state grants in order to expand industry in Wales is, of course, the £150m or so being handed out to Ford following the major company's decision to go ahead with a £1bn, four year investment programme in the UK. Ford is to build a major engine plant just outside Bridgend in mid-Glamorgan. The plant will eventually employ some 2,500 and should come on stream some time in 1980.

Mr. John Morris, Secretary of State for Wales, described Ford's investment decision as a "great day for Wales." And the WDA was quick to point out that one of the main reasons why Ford had chosen Wales for its new plant was that it (the WDA) was able to supply a suitable site for development at a moment's notice. For its part, Ford emphasised the areas rail links and recently opened motorway extension to within 21 miles of the proposed site.

However, the unemployment relief afforded South Wales as a result of the Ford investment has to be seen in perspective. To begin with, the closure of the East Moors steelworks in Cardiff will probably outweigh the new jobs being created by Ford at Bridgend. Moreover, steel works employment in Ebbw Vale has dropped from

9,000 to just over 6,000 in three years and threatens to decline through a further 3,000 redundancies.

The broad weakness economy of the principality has left its mark on the office market. In Cardiff, the main centre for commercial property, the market for larger office blocks is virtually stagnant, while in Swansea and Newport conditions are described as very slow.

Cardiff estate agent Powell and Powell points out that over the past 25 years the planning authorities in the city have maintained a rigid control over office development and that this has prevented any great surplus of space at any particular time. Current construction includes a 98,000 sq. ft. development of South Gate House. Today's rental band is between £3 and £4.25 per sq. ft. of office, the agents estimate.

The attractions of nearby centres like Cardiff, Bristol and Bath have tended to overshadow the office market in Newport. The city has to a certain extent missed out on urban relocation trends: what property strengths it has have always favoured the industrial market. Despite a population comparable to that of Cardiff the commercial market in Swansea has always been largely subsidiary to that in surrounding centres.

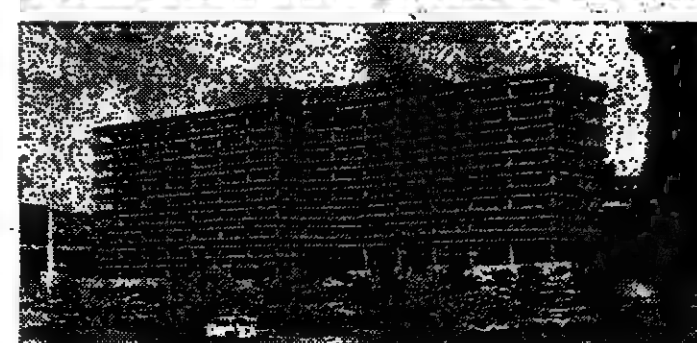
Shops are a brighter spot. In line with retailing activity across the country shop development continues in all the major cities of South Wales. Cardiff is the major shopping area and here the new central development coupled with the "pedestrianisation" of Queens Street are in the vanguard of the trend towards brighter and busier retailing in the city.

In Swansea, a new Debenhams store ranging up to 150,700 sq. ft. gross looks like proving the largest store complex in Wales. The building will form the north side of the £11m Quadrant centre. This development, which should open its doors to the public in the autumn, will include some 40 or so shops, in-door market and parking for some 580 cars. There is to be a link with the local bus station.

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مكتبة النظم

PROPERTY XI

Recovery in the Midlands

THE COLLAPSE in property values in the Midlands during 1975-78 can be clearly seen in retrospect as the price paid for its role as the industry heartland of the UK. Viewed from this angle, it is only justice that the recovery in the property sector, with the brightest indications appearing in the major city centres which were once the pride of Victorian England but which were so transformed during the sixties.

Over the region as a whole, a fair demand for industrial properties has become evident, with the accent falling on warehousing rather than factory properties. But the office building sector too is seeing a significant upturn. The centre of Birmingham has always been smaller geographically than that of many other business towns, but office property in this area remains at the top of the market's list of prime sites.

Consequently there was distinct satisfaction in the property world earlier this year when it was disclosed that a major insurance institution had bought a site next to House of Fraser's Rackhams department store in the centre of the city.

Demand

This improvement in property trends has not been confined to the centre of Birmingham. There are reports of a ready demand for office space in the slightly less favoured inner ring road and Edgbaston sectors of the city. Some sources suggest that the rejuvenation of British Leyland and its close association with the Midlands has provided a boost to confidence. Certainly there have been inquiries for property by some well-known international names. Sperry Univac has paid an admittedly modest £2.25 a

sq ft for space in the Centre City Development.

Other properties, offered at higher prices, have found it more difficult to attract takers. But in Solihull, a favourite in the Midlands, recent years, most of the new developments which hung fire should now be signs of a for so long during the black recovery in the property sector, years have now been taken up, indeed in this area developers are turning their attentions to the refurbishment of older properties for which demand is also recovering.

Satisfactory

Demand for office space seems to be concentrated on the letting with less than 5,000 sq ft. Below this figure lettings have been fairly satisfactory even in Leicester, where the over-supply position remains extremely serious. Rents for office space in Leicester city centre remain around £150 a square foot, and quickly fall back even further outside the prime areas. It seems unlikely there can be any short-term solution to Leicester's problems, and most observers are reconciled to the probability that it will take the rest of the present decade to shift the overhang, which still stands at around 1m sq ft.

A bright spot in the industrial property market has been the Luton/Dunstable area, chiefly because of access to the M1. A number of well-known developers, including Brixton Estates and Abbey Life, have established industrial estates in this area.

Shop property rents are still displaying the susceptibility to general economic conditions to be expected from a sector so closely dependent on consumer spending. But even here there are indications that the long-awaited revival in domestic consumer spending has begun to help the property sector.

But shop developments have proved to be highly concentrated geographically, with the prices—in the form of rents up by as much as 20 per cent on

let during the 1977 recovery, so this would indicate, that there is still some way to go before new developments can take up the running.

Elsewhere in the Midlands the picture is somewhat patchy, with, for example, access to the new motorways often distorting the pattern.

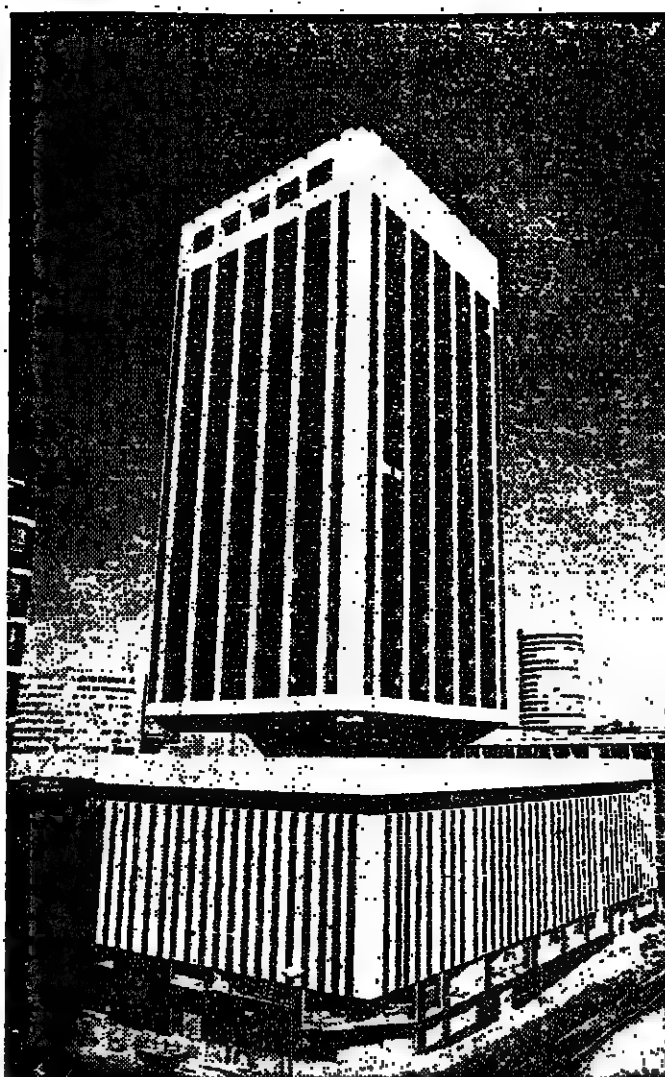
In Birmingham, the recovery in consumer spending was slower to get off the ground, and this lack of retail demand proved a depressing factor for shop rents. However, now that housewives' purses are heavier, it is likely that Birmingham shop rents will begin to catch up on the rest of the market.

Leicester enjoys happier fortunes with its shop property. Investment demand is high and yields have been held down to the 8 per cent to 9 per cent range. The centre of Northampton has proved a magnet for investment funds, but demand for shop property elsewhere in the town has been limited.

In view of the impact which the motorway network has had upon Midlands property activity, there was a keen reception for the Government's plans for a 43-mile trunk road to link Birmingham with the M40 at Oxford. At a time when road building plans are no longer greeted with the enthusiasm of the sixties, Midlands business appears reconciled to the decision that the road may not be built to motorway standards.

The significance of the new road, which will draw traffic from West London on to a new route to the Midlands, has yet to be fully appreciated in the property world. But there is no doubt that the road will make its mark on property values as well as on the countryside.

Other longer term projects which are considered likely to set a new pace for property development are the construction of a new air terminal at Elmdon Airport in Birmingham, and the future progress of the National Exhibition Centre. Government approval for the new air terminal is expected shortly.



Centre City, Birmingham, developed by the London Life Association in partnership with the Equitable Life Assurance Society, provides 170,000 sq ft of offices, shops, a public house, restaurant and bank.

Experience in the housing market in the Midlands has run true to the form of the rest of the country—a strong recovery which may or may not have been damped down by the Government's intervention to limit mortgage advances.

One of the strongest spots in the Midlands housing scene has been Northampton, which has seen the welcome return of speculative builders as buyers of potential building land—a phenomenon that many feared would never reappear after the carnage in the housing industry during the earlier part of the seventies.

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Terry Byland

Consolidation in Scotland

HAVING OUTSTRIPPED the rest of Britain for the past five years or more, the Scottish economy is now turning sluggish and most analysts are expecting pretty well nil growth for the short term. Even if the outlook matches the most pessimistic of the forecasts, of course, for the property market it is still a long way from catastrophe. After all, it would simply mean Scotland reverting to the pattern of the rest of the country where, apart from the sharp slump in 1975-76, both investment and letting markets have been healthy enough for reasonable business.

Projecting a continuance of the present levels of activity over the next 18 months suggests a relative balance between supply and demand in most of the major office areas—Glasgow, Dundee, decentralised Edinburgh, Stirling—which should consolidate rents at about current levels without fuelling any upturn.

The exceptions might be central Edinburgh, where prestige space is always under pressure and where the £5 per square foot mark has been breached, and Aberdeen, if the international oil companies believed to be looking for around 150,000-200,000 square feet of space within the next

three years speed up their demands.

Since May, however, a couple of intangible (but undoubtedly influential) factors have been thrown into the mix which are beginning to suggest that the status quo may not be the basis on which to project even an 18-month view.

The first of these is political. With the possibility of a General Election in October looking more realistic each week, the vexed question of Scottish devolution must become a hotter issue once again. Property men in Scotland are beginning to predict that politicians will soon be trekking north with gifts to woo the Celts. And these could well include stimuli for both industry and commerce, with an obvious spin-off for the property sector.

The second intangible item which needs evaluating is the prospect for the oil industry. The subject has once again been raised as report after report suggests that the best will be considerably short of the projections.

Together then, the political courting and the prospects of less of a bonanza from oil look like the good and bad parts of the curate's egg.

A few Scotsmen, however, differ as to what is the good part and what the bad. Some say that the politicians have already played their best card over devolution, with the promise of moving Civil Service jobs. And that the bulk of this is already under way or may not help new office development in the way Government lettings have in the past.

These pessimists point to the fact that the Government, through the DOE, has already leased 990,000 square feet of new space in Edinburgh, Glasgow, Dundee and Aberdeen since 1974. If you add in the nationalised industries and the Property Services Agency, the Government already occupies 80 per cent of Glasgow's 8m square feet of office stock.

Where Government is still making provision for decentralisation, these pessimists point out, it appears to be undertaking its own development. A case in point is the new office block just starting in East Kilbride for the Ministry for Overseas Development. It will house 600 staff, mostly recruited locally, in 115,600 square feet at a cost (for construction alone of £3.6m). But it will not be developed by the private sector.

Those who take the view that Government is already too well established to trigger off any new office letting/developing boom, however, do brighten up

at what some call the "downstream" impact.

They argue, with examples to back them up, that the all-party commitment to devolution, while it may not involve any short-term expansion in Government office needs, has finally awakened the private sector to the reality of a separate Scotland.

Certainly the number of English (and some U.S.) banks which have been looking for offices in the North has been on the increase. One example is Standard Chartered Bank which has taken the bottom three floors of Consort House in West George Street in Glasgow, leaving a further six floors to let.

Reverting to the second of the intangibles under study—oil—pessimism gives way to a degree of quiet confidence for some analysts. The argument runs that to-day's pessimistic forecasts only amount to a reaction against the over-bullish ones of a few years back. On sober reflection, even the most pessimistic provide room for a considerable degree of activity related to an industry which is entering its "mature" phase.

Reason

This view has a lot to recommend it. It is certain that when questioned the banks are more likely to give oil as their reason for expanding into Scotland rather than devolution (though a mixture of both is probably just below the surface).

There is further evidence to support this view from the main oil centre itself, Aberdeen. Recent lettings and inquiries for office space there have, obviously, been coming from the oil industry, but there is also steady demand from general commercial firms which are finding business flowing their way along the pipelines.

The trouble with both these elements which need to be stirred into the economic stew which feeds the property industry is that they are not really digestible in their present form. It may take 18 months to change metaphors—before they evolve into concrete facts.

In the meantime the status quo amounts to a steady level of business. It is now some months since Debenham Tewson and Chinnocks confirmed what most have guessed—that, taking rents and rates together, Edinburgh is the most expensive office centre after London. More unexpected in the report was the fact that Glasgow came third.

Nonetheless Scottish Life should still have reason to be pleased with its development as Standard Life is, apparently, with its offices in Livingston New Town and a second office block under way in Dundee.

The Scottish Life Offices have never invested in Scotland out of patriotism, preferring to maintain a canny spread to their portfolios. But where they have been buying new, prime properties, the yields have been fully in line.

Aberdeen has been leading the field as far as yields are concerned, with rumours of prices representing yields below five per cent. Elsewhere there is plenty of concrete evidence for 5½ per cent or so, particularly for smaller blocks.

Altogether there is a healthy level of activity but one that is likely to stay flat given the economic indicators unless the Government really can find some unusual electoral gifts for the Scots.

Christine Moir

North

CONTINUED FROM PREVIOUS PAGE

under 150,000 sq ft of office space available, but the bulk of this is in small units and no single large blocks. The feeling is that the city could comfortably absorb about 300,000 sq ft of prime office space. But here again rents are too low to encourage the developer. But the position does not seem so acute as that in Hull. Rents are now creeping over the £3 per sq ft mark and at this level there should be more interest shown by developers.

Having said this while some developers are now expressing some interest in the Newcastle area there would still be economic problems while rents are under £3.50 per sq ft. The pension funds are always on the

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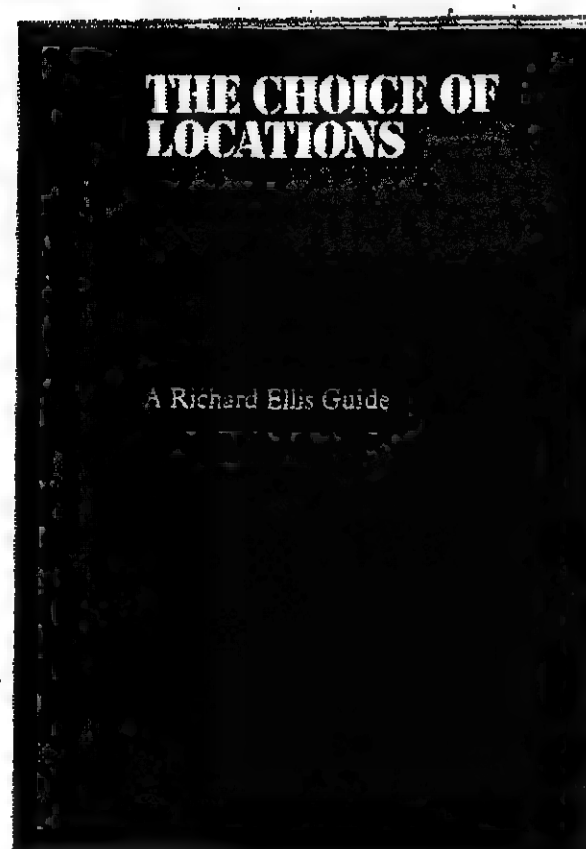
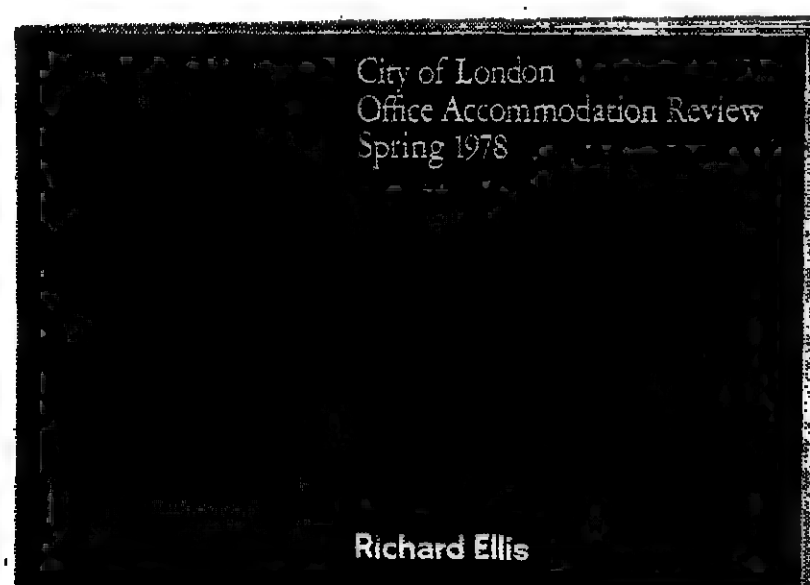
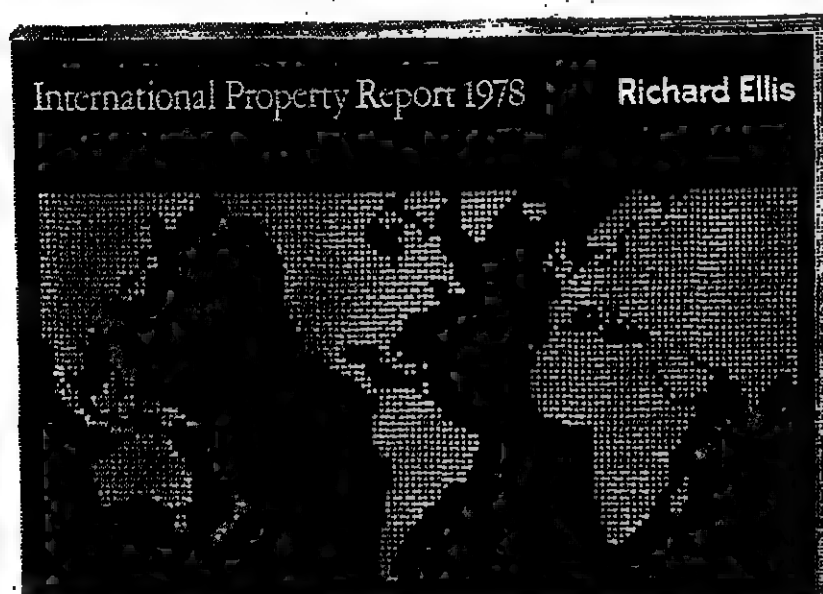
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Richard Ellis

Sea of uncertainty for Norway's shippers

BY IAN HARGREAVES, Shipping Correspondent

MR. HAAKON NYGAARD, executive general manager of the Norwegian Guarantee Institute for Ships and Drilling Rigs, has a favourite metaphor to describe the institute's role in pulling Norway's shipping industry through the present world crisis.

"We had to build a bridge to take the industry over the slump. It is not surprising that half way across the chasm—whose breadth we could not measure when we began building—some people should start to look down and feel dizzy. Instead of keeping a clear head and remembering why we took a decision to build the bridge in the first place, they panic."

"As we go along, we have to make new estimates of the building materials needed to complete the bridge. Half a bridge is not much good."

This was how Mr. Nygaard described both the institute's likely future and the pressures under which it is working in a recent interview with the Financial Times. That was before the latest bout of distress broke out over negotiations between Hambros Bank and the institute concerning debts on the Reksten tanker fleet. Mr. Nygaard at that point was maintaining absolutely that there is no chance of "an iron curtain" descending as the institute's loans come up for renegotiation. "This is a complete misunderstanding," he said.

So, what is behind the latest bout of fuss, which has again set the volatile Norwegian Press alight with speculations of widespread shipping industry collapses and the Norwegian Shipowners Association security for reinsurance to the offices of Government Ministers?

Because details of the negotiations between the institute and Hambros are being kept fairly secret, it is not possible

at this stage to be certain what is involved and what the potential consequences are. But there are a number of points which should be borne in mind before leaping to the conclusion that the Norwegian Labour Government is about to do what its shipowners have visualised in nightmares for the last year; that is to re-expose shipowners to the full horrors of the market, which would ensure that perhaps a quarter of them would never trade again.

The latest negotiations capture the eye because they con-

cern the debt problems of the first and still the largest owner of the institute has chosen to rescue—Hilmar Reksten, Reksten was Norway's biggest supertanker concern, with 7 per cent of the country's tonnage, when the spot markets collapsed with a previously unknown severity after the 1973 oil crisis. The company was up to its eyes in debt on new buildings, but the ships were good and the institute was formed with the intention of preventing the forced sale of these vessels to foreign interests at knockdown prices.

The company was carved up during 1976 into two sections, resulting in 10 per cent stakes in one half of the outfit for Hambros and the Aker Shipbuilding company, which was in the process of completing Rek-

sten's fleet. Other shares belong to the Reksten family, the Government and private shareholders. A NKR 700m (valued today at \$60m) loan was guaranteed by the institute to cover interest charges and the costs of either laying up the fleet or operating it at depressed rates; up to late 1978. One reason for the speed and tidiness of the solution, compared for example to the drawn-out wheeling and dealing which followed the collapse of Maritime Fruit Carriers, was the fact that Hambros was in effect the com-

pany's only banker. MFC was involved with a consortium of about 40 banks, each of which was concerned not to be without a chair when the music stopped.

The institute has now told Hambros it wants to re-examine the risk profile on the Reksten case, as its letter of contract on the deal and articles of association permit it to do. This is not abnormal. The institute's 1977 annual report disclosed that four such renegotiations were necessary last year. In one of the four cases—that involving a bulk carrier—creditors would not agree to an extension and the institute had to terminate the agreement, with a loss to itself and in effect the Norwegian Government of \$1.2m.

If the same thing were to

happen with the whole Reksten package, the consequences would be more serious simply because of the larger figures involved, but the effect of a collapse spread between Hambros, the Norwegian Government, the Reksten family and Aker would not be disastrous. But such a development would lead to a weakening of confidence in the institute by the foreign bankers on whom Norwegian shipowners have traditionally depended for 80 per cent of their funding.

This is one very big reason why the Government cannot allow the institute to go too far in pressing Hambros to take a further slice of risk on Reksten and it constitutes the bank's strongest negotiating point in the current talks. From the Hambros point of view, a collapse would be sustainable within its own balance sheet—where write-offs of over \$3m have already been taken—but if it did lead to a big Norwegian shipping catastrophe, Hambros would have helped to destroy an area of its activity where it has the reputation of being the leader.

So all sides, bank, institute, owner and Government, have much to gain by not rocking the boat too much. This is not to say, however, that the Norwegian Government is not now facing some very tough decisions about the future of its shipping policy and the role of the Guarantee Institute.

Since its formation in 1976, the institute has committed about Nkr 2.5bn (\$250m) of its Nkr 4bn of permitted funds. These guarantees were issued on what at the time were regarded as ultra-conservative terms, but which have proved to be badly exposed because the recession has been longer and deeper than anyone was predict-

ing in 1976, with the result that the value of some of the ships involved has been halved and halved again in the period involved.

The institute assessed the Government's risk of loss at the end of 1977 as around \$35m. This is much lower than the actual funds committed because part of the committed sum has not yet been drawn upon and because second-hand values of the drilling vessels, which account for just over one third of commitments, have held up relatively well. The big problem is which way to steer in the future and here opinions differ sharply.

There is a body of banking opinion which takes the view that the sooner the institute is wound up the better. This envisages a scenario of multiple company bankruptcies, first in Scandinavia and then elsewhere, resulting in a massive increase in sales to scrap yards as creditors salvage what they can, resulting in a more rapid return to balance of supply and demand in tanker and bulk carrier markets. About 30 per cent of tankers are now surplus to capacity and on present trends the problem could persist until the mid-1980s.

A slightly less tough line is that the institute should selectively re-examine its guarantees on the assumption not only that the crisis will last until 1985—but that it is already the official Norwegian Government assumption—but that by that time many of the ships guaranteed will, after almost a decade of idleness, be unfit to trade and that it is better to take the decision now and at least advance the re-balancing of the markets.

This is the mid-bridge position described by Mr. Nygaard and the one sections of the Norwegian Press believe has

now been arrived at. One item marshalled in support of this view was the news last year that one of Norway's most successful owners, Sig Bergesen, had ordered a pair of new 300,000 dwt tankers from Japan in preference to buying up idle tonnage from Norwegian fjords.

Mr. Nygaard's view is that the institute must sit the crisis out, making savings and drawing additional commitments in a depressed 1977 turned in

the institute would be able to act, as Mr. Nygaard has put it, as a marriage broker to reduce the number of Norwegian shipping companies from the present number of 250, which everyone agrees is too high for efficiency.

For Norway's Labour Government, the problem has many sides. In the first place, no administration can lightly place at risk an industry which even in a depressed 1977 turned in

fleet was a Government priority. The Prime Minister, Mr. Odvar Nordli, has also promised a response to Skanland by the end of the summer.

One thing upon which everyone is agreed is that in future the Norwegian fleet will be smaller and will probably slide from its fifth place in world ranking. In the first four months of this year, in spite of the Guarantee Institute, 2m gross tons of ships were sold, compared with 2.7m in the whole of last year. The fleet has now started to shrink and there could be a net reduction (new tonnage minus ships sold) of as much as 2.5m gross tons this year.

In the longer term, Mr. Nygaard backs the industry's view of itself, that it will survive because of its expertise and comprehensive maritime service capability. "These are the intangible assets that you cannot mortgage, but in present circumstances, bankers have to back people and ideas because the old securities do not exist," he says.

Norway knows that its decision to bail out the shipowners—a decision which is slowly having to be faced in other countries, including Britain— involves big risks. But with its oil reserves, the country has the means to back its shipowners through the crisis and, in spite of the buffeting, it would be surprising if it were to lose the will.

THE GUARANTEE INSTITUTE'S LIABILITY AT DECEMBER 31, 1977

	Ships	Drilling vessels	Totals
Total guarantee commitments (of which not yet issued)	1,709	1,088	2,797
Guarantees issued—loans not drawn down	1,231	1,012	2,243
Liability for guarantees issued	793	963	1,756
Guarantees obtained from other institutions	265	113	378
Net liability under Government guarantee	528	850	1,378

Source: Guarantee Institute

from bankers and others where possible.

The Norwegian Shipowners' Association wants the Government to implement a system of extension of the guarantee system recommended earlier this year by the Skanland Committee on Shipping. This would allow the institute to assist transfer of vessels from distressed owners to stronger companies by guaranteeing loans up to the market value of ships to the strong company without expecting the new owner to take any share of the vessel's previous debt, which may already be the subject of a separate guarantee. In this way,

NKR 17.5bn in freight receipts, amounting to 23 per cent of the country's total exports of goods and services. But the Government has recently, as part of its increasingly tight general economic policy, bitten on a bullet of special hardship to Labour politicians and legislators in effect to reduce sharply the size of its shipbuilding industry by pulling away subsidy and tax incentive props.

Mr. Hallvard Bakke, the young and by reputation Left-wing Minister with responsibility for shipping, recently affirmed to the Financial Times, however, that the maintenance of a strong, viable Norwegian

Pelkas at Mollands, Covent Garden, W.C.2, 7.30 p.m.

MUSIC

Scottish National Orchestra, conductor Sir Alexander Gibson, soloists Peter Frankl (piano), Robert Teor (tenor) and Frank Lloyd (horn), perform Berlioz (Overture, Les Corsaires), Beethoven (Piano Concerto No. 3), Britten (Serenade for Tenor, Horn and Strings), and Nielsen (Symphony No. 4), Royal Festival Hall, S.E.1, 8 p.m.

SPORT

Cricket: Third Test, England v. Pakistan, Reading: Somerset v. New Zealand, Taunton: W.C. v. Scotland, Lord's, Tennis: Wimbledon championships (noon).

Today's Events

GENERAL

TUC-Labour Party Liaison Committee meets.

Announcement expected of unilateral measures to protect fish resources inside Britain's 200-mile limit.

New session of European Parliament opens, Luxembourg (until July 7).

Prime Minister opens "A Right to Vote" exhibition, celebrating 50th anniversary of equal voting rights for women, Westminster Hall, S.W.1.

National Union of Mineworkers' conference opens, Torquay (until July 7).

Talks between U.S. and South African Government open in Pretoria, aimed at persuading South

Africa to sign Nuclear Non-Proliferation Treaty.

Eight major international banks expected to meet in Zurich on Turkey's \$2.5bn debt to foreign banks.

Nominations close in Penistone and Moss Side, Manchester by election (both polling on July 13).

London Chamber of Commerce conference on Understanding the Arab World opens at 89, Cannon Street, E.C.4 (until July 7).

PARLIAMENTARY BUSINESS

See Week's Financial Diary on page 28.

OPERA

Royal Opera production of

Report from the Sumitomo Bank

The Sumitomo Bank's general meeting of stockholders was held June 29, 1978. The bank saw increases in major areas of its operations despite the severe conditions of the business environment locally and around the world.

Stockholders' equity	¥6,820,006 million (\$30,672 million),	¥4,804,641 million (\$21,622 million) or 7.6% over the ¥6,339,365 million (\$28,511 million) of fiscal 1976. Consolidated securities rose to ¥1,502,005 million (\$6,755 million), an increase of 16.5% over the fiscal 1976 figure of ¥1,289,500 million (\$5,799 million).
Consolidated stockholders' equity rose to ¥3,310,070 million (\$14,899 million) during fiscal 1977, 3.3% higher than the fiscal 1976 closing. Fiscal 1977 year-end stockholders' equity includes ¥89,100 million (\$401 million) in capital, ¥2,325 million (\$10 million) in capital surplus and ¥239,645 million (\$1,078 million) in retained earnings.		
Business increases		
Consolidated deposits for fiscal 1977 were a record ¥8,442,271 million (\$37,968 million), 12.0% over the ¥7,538,592 million (\$33,904 million) figure the year before. Loans rose to		
International banking activities		
The successful bid of Sumitomo Bank of California for 19 branches offered up by the Bank of California increased the number of branch offices of the Sumitomo Bank of California to 45 and raised total assets to over \$1.2 billion. During fiscal year 1977, our New York Agency and Seattle Representative Office were		
Outlook for fiscal 1978		
A stable growth pattern of the Japanese economy is expected to continue in fiscal 1978. Throughout the fiscal year as in the past, the Sumitomo Bank will stress maximum efficiency in the use of funds. Profitability showed an upward trend in the second half of fiscal 1977 and management expects this trend to continue through fiscal 1978. Further, management expresses confidence that Sumitomo Bank will continue to use resources and experience to serve its stockholders and customers.		

The Sumitomo Bank Limited Consolidated Balance Sheet

(As of March 31, 1978)		
Assets	In thousands of Yen	In thousands of U.S. Dollars
Cash and Due from Banks	1,262,141,635	5,676,373
Call Loans	79,224,772	356,307
Securities	1,502,005,986	6,755,143
Loans and Bills Discounted	6,820,006,024	30,672,391
Foreign Exchanges	474,734,672	2,135,078
Bank Premises and Real Estate	133,546,967	600,616
Other Assets	250,513,804	1,126,664
Customers' Liabilities for Acceptances and Guarantees	1,149,849,499	5,171,349
Total	11,672,023,359	52,493,921
Liabilities	In thousands of Yen	In thousands of U.S. Dollars
Deposits	8,442,270,505	37,968,386
Call Money and Bills Sold	866,583,798	3,897,386
Borrowed Money	178,901,088	804,362
Foreign Exchanges	98,698,980	443,890
Other Liabilities	438,445,640	1,971,871
Reserve for Possible Loan Losses	90,330,772	406,255
Reserve for Retirement Allowances	49,863,205	224,255
Other Reserves	20,507,898	92,233
Minority Interests in Net Assets of Consolidated Subsidiaries	5,441,751	24,474
Acceptances and Guarantees	1,149,849,499	5,171,349
Capital (Paid-up)	89,100,000	400,720
Capital Surplus	2,325,023	10,456
Retained Earnings	239,645,200	1,077,784
Total	11,672,023,359	52,493,921

U.S.\$1=¥222.35 as of March 31, 1978



Sumitomo Bank

London, Düsseldorf, Brussels, Vienna
New York, Chicago, Los Angeles, San Francisco, Seattle, Houston, Mexico City, São Paulo, Hong Kong,
Singapore, Jakarta, Sydney, Beirut, Tehran, Cairo

Letters to the Editor

The give-away tax treaty

From Mr. J. Newman
Sir—It is true that U.S. incorporated and resident companies disposing of interests in the North Sea oilfields may claim the benefit of the present Article XIV of the U.S.-UK tax treaty and thus do not usually pay UK corporation tax on chargeable gains on disposals of North Sea oil interests. The Inland Revenue and the UK Government have a simple remedy to this omission under Article XXII by which the territory of the UK could be extended to include the Continental Shelf unilaterally. This, of course, should have been done back in the middle 1960s when it first became apparent that North Sea oil was going to be a valuable asset.

With regard to the unitary tax system, your article (June 29) pinpoints one of the problems with dealing with the U.S. Treasury authorities. This is their rampant fiscal and economic imperialism. In the fiscal field they have consistently disregarded the draft Organisation for Economic Co-operation and Development double tax agreements as agreed by OECD members, and preferred their own version. It is my view that the other members of the OECD should refuse to negotiate treaties on anything but the basis of the OECD draft so that the unitary principle can be killed before it is properly born. I would like to refer back to my letter of February 23 where I first highlighted the "give-away" nature of the tax treaty. The imputation system is fiscally neutral; by this I mean that if a company pays a dividend and further or least tax in total is payable by the company and thus there is no pressure on a company either to retain or distribute funds for taxation reasons. By allowing U.S. investors, both corporate and individual, a repayment of advance corporation tax under the new treaty the company tax structure is distorted. Because the tax rate sinks down to the 42 per cent region on maximum distribution there would be a considerable incentive for UK companies to distribute funds to their U.S. parents. This incentive has been highlighted by the International Accounting firms in presentations. Press releases, and seminars given in the U.S. in my view therefore and U.S. Treasury statistics on the likely repayment claims are considerably under-estimated.

I understand the estimates are based on the dividends payable in years before 1973 updated for inflation. This is the wrong basis. What should be the basis is the taxable profits of the UK subsidiaries concerned since by distributing the amount the maximum benefit, or rather reduction in UK tax payable, is obtained. As a conservative estimate I believe that taxable profits amount to 4.5 times the dividend flows. This means I may mind that the tax cost will be in the region of 40% per annum in addition to the back tax cost of the repayment to 1973 of some \$40m. How can the UK Government justify this repayment to U.S. investors at the present time, particularly when the U.S. taxes UK business at a rate between 50 per cent and 60 per cent?

I do not wish to sound xenophobic. All I am trying to do is to say that the new treaty goes too much away. What the U.S. Government should not do is a reduction of dividends from the U.S. to zero and the

abolition of the unitary principle. It might be thought that the U.S. will drag their feet over renegotiation but this can be dealt with by serving notice of termination on the U.S. Government so that the treaty lastly terminates. I am sure that notice of termination would give both sets of negotiating parties a sense of immediacy which would stimulate an acceptable agreement. J. A. Newman, 21, Mincing Lane, EC3.

Dividend control

From Mr. C. Garner
Sir—The Press has recently become allied with speculation regarding the demise of dividend control. The consensus of opinion appears to be that the only reason for retention of dividend control is the hostile response expected from the unions, if dividends, in some cases, are raised by 200 per cent, 300 per cent, or even more, at a time when unions are being asked to restrict wage claims to 10 per cent or less.

In recent weeks, however, and apparently without protest, the rate of return to investors on bank deposit accounts has risen by 100 per cent (i.e. from 34 per cent to 7 per cent) and the return to investors on building society accounts has risen by 20 per cent (i.e. from 8.33 per cent to 10 per cent). The average employee appears to be doing even better: if in year one he receives a gross salary of \$100 per week, an increase in year two of 10 per cent, and an increase in year three of 10 per cent, then, in accordance with the formula which is applied to dividends, the employee's rate of return on his investment capital (i.e. his own labour) is rising at the rate of over 100 per cent per annum (calculating the increase in year three as a percentage of the increase in year two) and not at the rate of 11 per cent per annum which is achieved in income as a percentage of the gross salary at the end of the previous year.

On the other hand, if dividend increases were calculated in accordance with the formula currently applied to wages, then dividend increases would be seen as minor in relation to wage increases, inflation, and other (safe) investment returns. Can someone please explain why the discussion is not taking place on the basis of comparing like with like?

Charles B. Garner, of Close and Son, Knoll Road, Camberley, Surrey.

Accountancy institutes

From the Secretary, Institute of Accounting Staff
Sir—Michael Lafferty's assertion (June 27) that this Institute and its parent body, the Association of Certified Accountants, are not going to join the new second accountancy body, needs elaborating. Indeed, the IAS and the ACA have been and remain keen advocates of a single technician institute serving the whole accountancy profession. Established in 1974, the IAS already has some 11,000 members and is therefore in an excellent position to serve the whole profession. It was from this sound base that the IAS last year invited the Institute of Chartered

Accountants in England and Wales, the Chartered Institute of Public Finance and Accountancy and the Institute of Cost and Management Accountants to enter into full partnership with the IAS in the belief that an established and reputable body was a sensible foundation on which to base co-operation. The terms for co-operation were fully open to discussion, without precondition.

It was a great disappointment to my council that the offer was not taken up. Nevertheless, we remain convinced that unification at technician level is both desirable and inevitable and will continue to work towards this goal. Our offer to the other senior accountancy bodies to avoid wasteful duplication of organisational and educational resources at the technician level remains open. Brian Howe, 23, Bedford Square, W.C1.

The price of petrol

From Mr. J. Stratford
Sir—For several months the independently priced garage normally used has been selling petrol 1p per gallon cheaper than the garage on the other side of the road. Last week the owner received a visit from a man who said he was a representative of British Petroleum—the supplier of his competitor across the road. He was told that unless the increased price he charged for petrol then British Petroleum would reduce its price to such an extent that he would be put out of business.

As my garage is owned by a small businessman it has had to increase its price by 1p per gallon as it could not afford to take on BP. Is this a case for (a) the Prices and Incomes Board or (b) the Monopolies Commission? Does the Government as a majority shareholder approve of the (apparently) big brother tactics of British Petroleum? Is this an isolated case or is the practice common in the petrol business? John E. Stratford, Fulmer Road, Gerrards Cross, Bucks.

Radio listening research

From The Managing Director BBC Radio

Sir—With reference to the piece "ILR Moves Ahead" June 29, the BBC has been measuring the audience for BBC radio and commercial radio not just for a period of a few weeks each year, but on every day since the first commercial station opened. Indeed, we have been measuring radio audiences for the last 40 years.

Our research confirms that commercial radio has increased its share of listening over the UK as a whole from 14 per cent in the first quarter of 1977 to 16 per cent in the first quarter of 1978. Over this period we find that its daily audience has increased by 300,000. These findings are quite consistent with JICRAR's (the Joint Industry Committee for Radio Advertising Research) Your readers, especially those with advertising interests, might like to know that our research also shows that throughout the UK Radio 1 and Radio 2 remain ahead of commercial radio both in terms of daily patronage and share of listening. Our May figures are:

Eurobank in London

From Mr. M. Montague

Sir—As one who has been campaigning for the European Investment Bank to open an office in Great Britain, I am delighted to learn (June 29) that it has taken such a decision. Any disappointment arises from the realization that the office is to be opened in London. The role and opportunities via the EIB are not appreciated by British industry and would be better achieved if an office were opened in, say, Liverpool or Birmingham, where a major need for reconstruction of industrial activity arises. Michael Montague, Riverside House, Cornsey Road, Chislehurst, W4.

Economics of immolation

From Mr. W. Purdie

Sir—As a consumer I have to pay an excessively high price for sugar which has resulted in over-production. This price bears no relation to the market price and any EEC masters deprive me of a cheaper substitute by imposing a levy designed to help the export of the artificially achieved surplus of sugar.

Normally, on a free market, I would pay less for my sugar, but it seems I have to pay a double penalty to over-produce it and undoubtedly it will ultimately be sold at an uneconomic price to a non-EEC country. I haven't forgotten the French entrepreneur who bought the high peaks of a butter mountain and sold it to Russia more cheaply than it was sold to us. One is bound to regard this kind of activity as the economics of immolation.

The presence of a number of other mountains which, phoenix-like, seem continually to emerge, suggests that the original purposes attributed to EEC have been lost in bureaucratic chaos. So, unfortunately it seems, has basic economic theory. If both a shortage and a surplus of sugar demands a high price from the consumer the laws of supply and demand, as a consequence of the market, no longer exist. Since cheaper alternatives are frustrated by penalties there exists a state of pure monopoly and no free competition to benefit the consumer, whom we were led to believe, the EEC was all about. Yet a subsidy to help our sailing shipyards at no cost to the EEC is immediately subject to questions which are not, it seems, similarly directed towards help for inefficient and uneconomical European farmers. We should have heeded Demosthenes, who said: "There is one safeguard known generally to the wise, which is an advantage and security to all, but especially to democracies against despots—suspicion." W. K. Purdie, Bryn yr Eidd, daily patronage and share of listening. Our May figures are:

B & C not without confidence Respectable increase seen by Staveley

ALTHOUGH AT this stage, reduced pre-tax profits are indicated for 1967 by reports of Wetzel's Canadian-Pacific Shipping Company, Sir Nicholas Cayzer, the chairman, does not feel any degree of dependency about the group's future generally.

The company has been successful in selling members in his annual bank carriers and the floating supply base were disappointing collectors contributed \$22.5m loss. The supply ship remained idle throughout the year and faith in her longer term was still to be justified, he adds.

Although the group retains substantial indirect interests A FURTHER respectable increase in gross profit and turnover for the current year is expected by Stavely Industries and there is considerable confidence in the group's ability to continue progress next year and beyond.

In closing the year, the chairman, tells members:

"The following companies have notified us they will leave BSAI at the Exchange."

Such meetings are usually held for the purpose of considering the affairs of individual firms or available whether dividends concerned interest of individuals and the shareholders are based mainly

BOARD MEETINGS

being investigated all the time and the sports clothing and shoe industries are now major parts of the group's market.

During the year Polymark Cor-

Polymark to continue progress

London & Northern to pick up

MR. J. H. M. WACKENZIE, chairman of London and Northern Group says the company has now come through a very difficult period and management figures for the first four months of 1973 confirm the expectation of a resumption of growth in the current year.

As reported on May 25, pretax profits for 1977 fell from \$9.38m to \$8.57m on turnover of \$163.9m (\$227.2m).

In order to restore and thereafter maintain a more satisfactory level of retentions the directors decided to reduce the rate of dividend. The payment is cut from 3.25% to 2% net.

The 2 1/2 times cover for this dividend is considered to be appropriate at the present time in the

The balance sheet shows that net tangible assets attributable to holders have increased to £22.35m and with minority interests now total £27.97m. They would be materially higher if full advantage

of ED19 was taken. Net borrowings including those attributable to minorities amounted to £21.15m. An offer has recently been announced by Cement-Roadstone Holdings for the associated com-

£20m sales boost seen by Lesney chief

New financial

controller for Staflex

interlining specialist, have been announced. Mr. G. S. Moyse, the financial director, has resigned and Mr. Peter Mobley has been appointed financial controller though, so far, without a seat on the Board.

The company has told shareholders they must brace themselves for "very severe trading losses" in the 1977 figures. It has recently agreed to a package of sales and closures designed to reduce borrowings following news that the company was in breach of its borrowings powers.

New financial controller for Staflex

Changes in the financial management of Stalex International, the troubled iron-on-sterling specialist, have been announced. Mr. G. S. Moyses, the financial director, has resigned and Mr. Peter Mobbs has been appointed financial controller though, so far, without a seat on the Board.

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual gross interest	Interest payable	Minimum Life of sum	Life of bond
	%		\$	Year
Barking (01-392 4500)	10½	1-year	1,000	4-6
Barking (01-392 4500)	11½	1-year	5,000	4-6
Barnsley Metro. (0226 203332)	11	1-year	250	5-7
Knowsley (051 549655)	11½	1-year	1,000	5-7
Poole (02013 3151)	10½	1-year	200	5
Poole (02013 3151)	11½	1-year	500	6-7
Redbridge (01-478 3029)	11	1-year	200	5-7
Sefton Met. BC (051 922 4040)	11½	1-year	2,000	5-7
Thurrock (0678 5123)	11½	1-year	300	4
Thurrock (0678 5122)	11½	1-year	300	5-6

FINANCE FOR INDUSTRY TERM DEPOSITS

Deposits of £1,000-£25,000 accepted for fixed terms of 3-10 years. Interest paid from half-yearly. Rates for deposits received not later than 31.7.78.

Terms (years)	3	4	5	6	7	8	9	10
Interest %	10½	11	11½	11½	11½	12	12½	12½

Rates for larger amounts - n request. Deposits to suit further information from The Chief Cashier, Finance for Industry Unit, 21, Colindale Avenue, London, SE1 5LH, 01-223 4171.

Edt 1777: Cheques payable to "Bank of England, and ex FFI".

FFI is the holding company for ICFE and FCL.

Norcros Limited

Results for the financial year to 31st March 1978

“A continuing strength is exports from the UK...” J.V. Sheffield Chairman

J.V. Sheffield Chairman

	1978 £'000	1977 £'000
Group sales up 13% (Including share of associate companies' sales)	196,543	173,978
United Kingdom sales up 6.0%	126,290	119,156
Exports from the UK up 67.7%	27,631	16,475
Overseas companies sales up 23.7%	25,790	20,849
	£'000	£'000
Pre-tax surplus up 20%	14,512	12,085
	Per Share	Per Share
Earnings per Ordinary shareholder	14.70p	13.93p
Shareholders Ordinary dividend	4.42p	3.96p

The Annual General Meeting will be held on 24th July 1978. Copies of the Report and Accounts are available from The Company Secretary, Norcross Limited, - Reading Bridge House, Reading, Berks RG1 8PP.



This Advertisement appears as a matter of record only
Notes have been placed outside the United States of America

PRIVATE PLACEMENT

1st July, 1978

U.S. \$22,000,000

Den Norske Industribank A/S

8 $\frac{3}{4}$ per cent. Guaranteed Notes 1985

unconditionally guaranteed by

The Kingdom of Norway

Issue Price 100 per cent.

These Notes were underwritten and placed by

Union Bank of Switzerland (Securities) Limited

Den norske Creditbank

Andresens Bank A/S

هكذا من العمل

These securities having been placed privately outside The Netherlands, this announcement appears as a matter of record only.



Dfls 75,000,000

NEW ZEALAND

6¾% bearer Notes 1978
due July 1, 1984.

Amsterdam-Rotterdam Bank N.V.
Algemene Bank Nederland N.V.
Bank Mees & Hope NV
Pierson, Heldring & Pierson N.V.

S. G. Warburg & Co. Ltd.
Commerzbank Aktiengesellschaft

July 3, 1978.

This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange. It does not constitute an invitation to the public to subscribe for or purchase any shares of the Company.

ESTATES AND GENERAL INVESTMENTS LIMITED

Introduction of 17,610,048 Ordinary Stock Units of 20p each and 355,000 4.9 per cent. Cumulative Preference Stock Units of 50p each of the Company.

Following the approval at the Extraordinary General Meeting of the Company held on 29th June of the merger with County & Suburban Holdings Limited ('C & S'), the Council of The Stock Exchange has granted permission for the above securities of the Company, which constitute its issued share capital, to be admitted to the Official List. 9,724,500 of the Company's Ordinary Stock Units and all the Cumulative Preference Stock Units were in issue and listed prior to their suspension on 13th June, 1978 pending the approval of the merger; the remaining 7,885,548 Ordinary Stock Units were issued in part consideration for C & S.

Particulars of the Company have been circulated in the Extraordinary General Meeting. Copies of the particulars may be obtained during usual business hours on any weekday, except Saturday, up to and including 17th July, 1978, from:

SIMON & COATES, 1, London Wall Buildings, London EC2M 5PT.



"Progressive development of broader base continues in a difficult year"

reports Tunnel Holdings Chairman J. D. Birkin on the year ended 26th March 1978

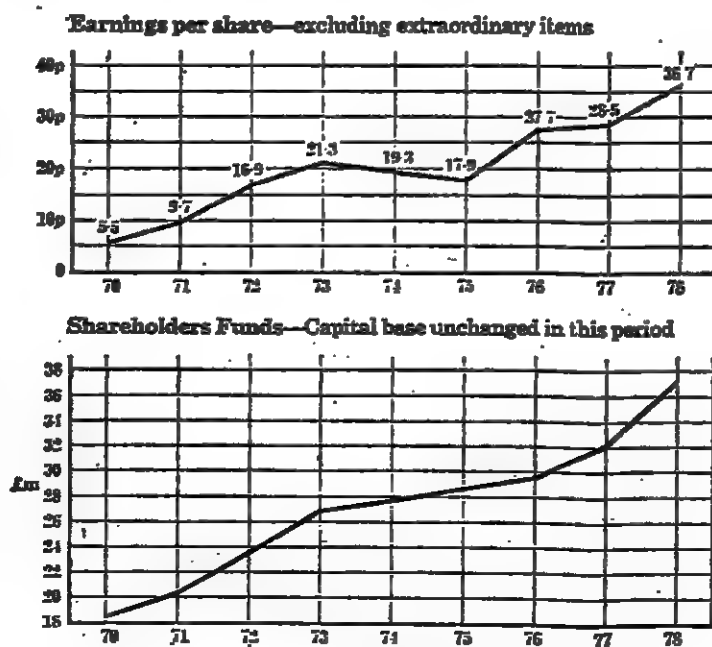
Salient points from the Report & Accounts:

- Cement operations showed an improvement in a year of continued difficulty. Conversion to coal firing at Pitstone being actively pursued following very costly gas price increases. Large grinding mill to be installed at Padeswood to meet expected increase in demand in North Wales.
- Real progress here and abroad in development of Stablex organisation including the establishment of a joint operation in the U.S.A. with R.T.Z. Overseas Holdings Ltd.
- Stablex Ltd.'s Thurrock Waste Management plant now operational and to be officially opened by H.R.H. The Prince of Wales on 7th July.
- Crossford Pollution Services Ltd., which owns the rights to royalties from the operations of the Sealosafe process in the U.K., was acquired in April 1978 at a net cost of £720,000.
- Liquidity at high level with an increase of £6½ million to almost £16 million. The reserves available will help to service the requirements of the cement operation, to support further Stablex developments, and to fund any reasonably sized and sensibly related project.
- Maximum permitted dividend recommended, 3.3 times covered, totalling 10.9723p per unit for the year, leaving £4,989 million retained.

	1978	1977
Group Turnover	£59,122,000	£52,991,000
Profit before taxation	£6,516,000	£8,479,000
Profit after taxation	£4,384,000	£3,381,000
Earnings per share (before extraordinary items)	36.7p	28.5p
Earnings per share (after extraordinary items)	53.5p	30.8p
Dividend per share	10.9723p	9.8589p
Profit retained	£4,989,000	£2,471,000

The 67th Annual General Meeting of the Company will be held in London on 27th July 1978.

Copies of the 1978 Report & Accounts may be obtained from The Secretary, Tunnel Holdings Ltd., 16 Old Queen Street, London SW1H 9HT.



"1978/79 looks to be the year when the UK Construction Industry decline over recent years is finally halted. However, a combination of continued uncertainties in the political arena, together with the gas price situation and consequential coal firing changeover, although only affecting one of our works, make cement prospects in the current year somewhat difficult to forecast."

All other major sections should continue to progress, although it is unlikely 1978/79 will receive any direct benefit from the Stablex operations. Nevertheless, we are confident that their activities in the U.K., U.S.A., and other parts of the world will in due course become a material contributor to the success of the Group. Therefore, looking beyond the current year a combination of a rationalised and efficient cement activity operating in an improving traffic environment linked to the spread and development of growth activities, both as to type and geography, should permit Tunnel Holdings to enjoy consistent and significant progress."

BIDS AND DEALS

Customagic seeks Panel ruling on 'special treatment'

THE BOARD of Customagic, and its advisers Grimley Brandts, are seeking a ruling from the Take-over Panel as to whether the offer for the company by Mooloya Investments breaches a fundamental principle of the City Code—that all shareholders are treated equally.

Shareholders were told of the move over the weekend in a powerful document containing the reasons why Sir Cecil Burney, the chairman, and the independent directors, are rejecting Mooloya's offer.

Sir Cecil reminds shareholders that the Panel has already made the unusual move of directing Mooloya to disclose further information of material contracts it had entered into with certain Customagic directors, under which they would receive fees from Mooloya if the offer for Customagic is successful.

The implication is that Sir Cecil and Grimley Brandts believe these contracts amount to special treatment of selected shareholders.

They are also rejecting the offer on the grounds that Mooloya is attempting to buy a company six times its size at a price (20p), not only below what it was prepared to pay in the market last January (24p) but also 37 per cent under net asset value.

The effect of merging with Mooloya, says Sir Cecil, would be a company with net tangible assets of £282,000, compared with £1.7m for Customagic at present, and with borrowings amounting to 318 per cent of net tangible assets, whereas Customagic's borrowings are only 32 per cent.

Sir Cecil also points out that Mooloya has not paid an Ordinary dividend for the past five years and that its profits in the past three years have been insufficient to cover its preference dividend obligations.

It is therefore clear that the ability of Mooloya to meet the interest in respect of the loan stock, amounting to £122,000 per annum, would depend on the income of your company, particularly the £151,250 per annum rent from the lease of Customagic House to Gallahers, the document states.

The directors also claim that Mooloya's loan stock has a market value of only £35 per cent on an independent valuation, compared with the per value suggested by Mooloya's advisers, Schaverien and Co. Customagic notes that Mr. B. Bersh and Mr. L. A. Phillips, respectively a partner and a consultant with Schaverien, are also significant shareholders in Mooloya.

On Customagic's valuation of the loan stock the offer price for Customagic's shares drops to 17p on the basis of a 60p per share value for Mooloya's shares.

CARDING GROUP

Unigate's offer for the 66.1 per cent of the Carding Group not owned by Worldcourt, has gone unconditional now that Unigate has won acceptance from 92.3 per cent of the non-Worldcourt shares. Complete control by Unigate of Carding now rests on Unigate's warranties of Worldcourt's financial affairs are accurate and on clearance from the Office of Fair Trading.

While Unigate continues its investigation into Worldcourt the offer for its 33.1 per cent stake remains open until July 7.

HENSHALL STILL SUPPORTS PETFORD

Borbooms, one of the two companies bidding for W. Henshall and Sons (Aldershot), is seeking to consolidate the control it already has (50.8 per cent of the shares). It has called an extraordinary meeting of Henshall with the aim of ensuring the Board's representatives constitute a majority on the board.

Despite the fact that the Take-over Panel has now firmly ruled that Henshall cannot dilute Borbooms' stake, the Henshall board is still holding out. While the higher bid by Petford is still outstanding, the board is continuing to support that one and urges shareholders not to give Borbooms their proxy votes at the extraordinary meeting on August 22.

DUNLOP BUYS

Dunlop Holdings has agreed to acquire the capital of Staglehurst Holdings, of Sheffield, for £380,000 to be satisfied by the allotment of 72,394 ordinary shares.

This acquisition will strengthen Dunlop in the growing field of manufacture and supply of hydraulic assemblies and equipment.

BAYFINE

Bayfine, the investment holding company which controls Highgate Optical and Industrial Company through its Dutch subsidiary, Content Beecher BV, has purchased the capital of H. R. P. Reynolds Holdings for around £1m, payable in cash and shares.

H. R. P. Reynolds is involved in aluminium pressure die casting. Its products go chiefly to the domestic appliance, carburettor

and gas/hydraulic industries.

Reynolds' profits for the year ended June 30, 1977 were £173,000 and in excess of £300,000 is forecast for 1977-78.

WARD TERMS SETTLED

Thomas W. Ward has now reached agreement with British Steel Corporation on compensation terms for the sale of the Grantham and Netherthorpe stockholding activities of John Lee and Son (Grantham).

Total consideration for properties and shares, after deducting dividends paid to Thos. W. Ward and net debtors collected by John Lee of Grantham, amounting to £2.4m in cash, has been paid.

THORN ELECTRICAL ACQUISITION

Thorn Electrical Industries has acquired a 73 per cent holding in Supertap-Ferramentas de Precisão, manufacturer of engineers' cutting tools with a factory in Sao Paulo.

The company will be renamed Clarkson SA Ferramentas de Precisão. The cost of the acquisition together with an agreed programme of expansion will result in an investment of £2.4m.

WIMPEY PROPERTY

The offer by Wimpey Property Holdings Ltd. to acquire South Coast Land Society has been accepted by the holders of 11,619 shares, representing 90.2 per cent of the capital. The offer has been declared unconditional.

WARD WHITE

Ward White Group has purchased the reversion to the freeholds of 20 shop premises, 18 of which are leased to a subsidiary. The consideration of £200,000 was satisfied by the issue of 278,124 ordinary shares which have been placed on behalf of the vendors.

Norcros keeping up with changes

THE FUTURE strategy at Norcros includes a great deal of thought and effort being concentrated on widening the proprietary nature of its products, Mr. John Sheffield, the chairman, says in his annual statement.

This extends, he adds, to the group's expertise in developing new products and the techniques by which the current range of products is made. There is a greater awareness throughout the group of the need to keep abreast of technological change, he says, and the appropriate supporting investment is budgeted and any acquisition will be related to this strategy.

As reported on June 28 pre-tax profits for the March 31 1978 year rose from £12.06m to a record £14.51m on turnover up from £73.98m to £106.54m. And the dividend is increased to 4.42p (3.96p) per share.

Mr. Sheffield says the past year has again been one when the majority of companies improved their performance. Without exception the printing companies all met their targets, he says, and virtually all of the construction activities did also. He says that a feature of the success, in construction, is the commitment by all the companies to increasing exports and, in relative terms, the achievements of Radiant Superjet and Windley Brothers are outstanding.

In engineering, Adamson Butterley and Lion Foundry have maintained a satisfactory level of profitability, Mr. Sheffield adds, despite the depressed state of their traditional markets.

Overseas the group made much progress, both with the performance of existing companies and in establishing new companies. Critical Hope Nigeria achieved record sales and profits and continues to be a significant contributor to the construction industry.

In the Far East, Norcros has brought Crittal (Singapore) and Norcros into operation, the chairman says, and the group is currently negotiating for further expansion in this region.

Bulk Carriers, of Canada, enjoyed a dramatic improvement of fortune, he says, by registering the best sales and profit figures for the last four years, and improvement continues.

Mr. Sheffield states that a significant addition to the group is the acquisition of a 66.1 per cent equity participation in engine Société Industrielle des E-tah Sements Votier S.A. of Ton France.

RTZ's £15m Spanish deal

Rio Tinto-Zinc is in subject approximately Pta 220m (£11) to increase its stake in Rio Tinto Minera (formerly Rio Tinto) in order to facilitate Spanish company's copper expansion. Production is to be raised by 20,000 tons to about 30,000 tons of copper in concentrates, additional concentrates will be smelted and refined at the B tieveta plant.

Union Explosives, Rio Tinto, which holds 75 per cent of R, has agreed with RTZ that R should be the prime vehicle for the development of their mining businesses in Spain. To this, Union Explosives, transferred assets at Riotinto to RTZ additional equity in that camp.

NSS NEWSAGENT

NSS Newsagent has acquired the record distributor, Wynd Records of Manchester, which annual sales running at £1m, supplying records, tapes, and cassettes to over 600 retail outlets nationwide.

As a subsidiary of NSS, Wynd is expected to contribute tax profits of £150,000 in the full year. Consideration for Wynd of £400,000 made up of 200 ordinary shares and 200,000 8 per cent cumulative preference shares at March 30, 1978, at £12.5 each.

This announcement complies with the requirements of the Council of The Stock Exchange in London



F.L. SMITH & CO. A/S

U.S. \$20,000,000

9½ PER CENT BONDS DUE 1988

ISSUE PRICE 100 PER CENT

The following have agreed to subscribe for the Bonds:

Chase Manhattan Limited
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First Boston (Europe) Limited
Sumitomo Finance International
Copenhagen Handelsbank
Banque Nationale de Paris
Deutsche Bank Aktiengesellschaft
Nordic Bank Limited
Swiss Bank Corporation (Overseas) Limited
S. G. Warburg & Co. Ltd.

The 20,000 Bonds of \$1,000 each constituting the above issue have been admitted to the Official List of The Stock Exchange in London and dealing in the Bonds is for seven day settlement.

Particulars of the Company and the Bonds will be available from Extal Statistical Services Limited. Copies of the Listing Memorandum may be obtained during normal business hours up to and including 31st July, 1978 from:

Chase Manhattan Limited
40 Basinghall Street
London EC2P 2LS

Cazenove & Co.
12 Tokenhouse Yard
London EC2R 7AN

3rd July, 1978

NEW ISSUE

These securities have been offered and sold outside the United States of America and Australia. This announcement appears as a matter of record only.

3rd July, 1978.



Australian \$12,000,000

11½ per cent. Guaranteed Notes due 1983
Issue Price 100 per cent.

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مکان الدار

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How your performance compares with the competition	YES/NO
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Anyone wanting to do business in or with America has to know what they're talking about.

The exclusive contract we've recently signed with DISCLOSURE Incorporated gives you immediate access to financial information covering the whole spectrum of American business and industry. From California apple growing to Minnesota mining.

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10-K is the official annual business and financial report which must be filed by every company registered with the US Securities and Exchange Commission. That means every company quoted on the New York Stock Exchange, American Stock Exchange or Over the Counter Market.

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They cover everything from a company's operations, their properties, the number of their equity security holders, current legal proceedings, sales and income, to the names, salaries and specific responsibilities of every one of the directors, and the three highest paid officers.

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If you're not absolutely sure how to go about it, gathering British business information can be as time-consuming and costly as understanding America's industries.

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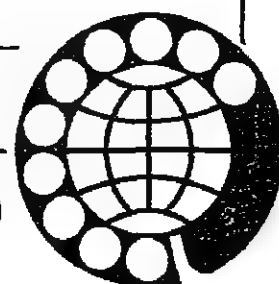
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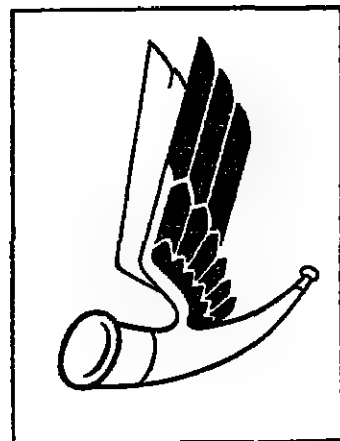
Bracken House, 10 Cannon Street, London EC4P 4BY

Telephone: 01-248 8000

Registered in London, no. 227590

This document contains particulars given in compliance with the Regulations of the Council of The Stock Exchange for the purpose of giving information to the public with regard to Hunting Petroleum Services Limited ('the Company'). Save where otherwise appears these particulars have been prepared on the basis that the acquisitions by the Company described below have been completed. The Directors of the Company collectively and individually accept full responsibility for the accuracy of the information given and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

A copy of this Offer for Sale, having attached thereto the documents specified below, has been delivered to the Registrar of Companies for registration.



Hunting Petroleum Services Limited

Offer for Sale

by

Robert Fleming & Co. Limited

of 2,700,000 Ordinary Shares of 25p each at 85p per share
payable in full on application

The Ordinary Shares now offered for sale rank in full for all dividends hereafter declared or paid on the Ordinary Shares of the Company.

The Application List for the Ordinary Shares now offered for sale will open at 10.00 am on Thursday 6th July 1978 and will close at such later time on the same day as Robert Fleming & Co. Limited may determine.

Directors and other parties

Directors
Lindsay Clive Hunting, MA (Chairman)
Fuglmer Grange, Fulmer, Buckinghamshire
Geoffrey Percival Dollimore, CBE
Popinjays, 18 Box Lane, Boxmoor, Hertfordshire
Richard Haigh Hunting
Westby Lodge, 90 Old Woking Road, West Byfleet, Weybridge, Surrey
Kenneth William Miller, FCA
Doonleigh, 32 Oakfield Road, Ashted, Surrey
Roy Ernest Treacher, FCA
23 Hartley Old Road, Purley, Surrey
Secretary and Registered Office
Dennis Leslie Clark, FCCA
Avenfield House, 118-127 Park Lane, London W1Y 4HN
Bankers
Lloyds Bank Limited
39 Piccadilly, London W1V 0AA
Receiving Bankers
Lloyds Bank Limited
Registrar's Department, Issue Section,
111 Old Broad Street, London EC2N 1AU
Brokers
de Zoete & Bevan
25 Finsbury Circus, London EC2M 7EE
and The Stock Exchange
Auditors and Reporting Accountants
Price Waterhouse & Co, Chartered Accountants
Southwark Towers, 32 London Bridge Street, London SE1 9SY
Reporting Petroleum Consultants
DeGolyer and MacNaughton
One Energy Square, Dallas, Texas 75206, USA
Solicitors to the Company
McKenna & Co
Inveresk House, 1 Aldwych, London WC2R 9HG
Solicitors to the Offer
Linklaters & Paines
Barrington House, 59-67 Gresham Street, London EC2V 7JA
Registrars and Transfer Office
Lloyds Bank Limited
Registrar's Department, Goring-by-Sea, Worthing, West Sussex BN12 6DA

Background to the issue

The Company was incorporated on 1st June 1978 to acquire and act as the holding company for various oil and gas related interests of two listed companies, Hunting Associated Industries Limited ('HAIL') and Hunting Gibson Limited ('Gibson'), and of a private company, Hunting Holdings Limited ('HH').

Since their formation HAIL, Gibson and HH have been closely connected through common control and administration, each of them being controlled by members of the Hunting family and their associated interests.

Apart from the various oil and gas related interests, the activities of the two listed companies are aviation support, engineering and resource surveys in the case of HAIL and shipowning, shipbroking and industrial painting in the case of Gibson. HH is an investment holding company.

One business area common to HAIL, Gibson and HH has been an involvement in various activities within the oil industry. These activities have reached a stage in their development where there is considerable advantage in bringing them under common ownership, thereby providing a more appropriate base from which to expand the present operations and to take better advantage of investment opportunities within the industry. To this end the Company has conditionally agreed to acquire the relevant subsidiaries of HAIL, Gibson and HH in consideration of the issue of a total of 7,875,000 Ordinary Shares and 1,250,000 Deferred Shares in the Company, credited as fully paid. Brief details of the principal trading companies being acquired are as follows:

From HAIL:

Hunting Oilfield Services Limited ('HOSL') which, with its subsidiaries and an associated company, has provided a service to the offshore oil and gas industry for the past 10 years. These companies currently operate from Aberdeen, Great Yarmouth, Holland, the Netherlands Antilles and Abu Dhabi and their services comprise the following:

Turbodrilling
Directional drilling
Oilfield equipment manufacture and repair
Diving equipment
Fabrication (mainly helicopter refuelling systems)
Engineering.

From Gibson:

Gibson Petroleum Company Limited ('Gibson Petroleum') of Alberta, Canada, the activities of which comprise the following:

Crude oil marketing
Pipelines
Terminals
Trucking;

Alens Oil Company ('Alens') which owns oil and gas properties in the USA;

Frétil Société Nouvelle Pétrole et Affrètements S.A. ('Fretol') which is based in France and is principally engaged in international oil broking; and

Fuel-Fast Limited ('Fuel-Fast') which acts as a distributor of heating oil in the Midlands and south of England.

From HH:

Brazos Young Corporation ('Bycor') which is involved in exploration for and development of oil and gas reserves in the USA.

Of the 2,700,000 Ordinary Shares now being offered for sale, 1,000,000 are being sold by Gibson and 1,700,000 are new shares. Immediately following the Offer for Sale the interests in the share capital of the Company will be as follows:

	Number of shares of 25p each			
	Ordinary	Deferred	Total	Per Cent
HAIL	2,625,000	—	2,625,000	24.3
Gibson	2,500,000	750,000	3,250,000	30.0
HH	1,750,000	500,000	2,250,000	20.9
Others	2,700,000	—	2,700,000	24.9
	9,575,000	1,250,000	10,825,000	100.0

HAIL, Gibson and HH regard their holdings in the share capital of the Company as set out above as long term investments and in any event will not be disposing of any part of such holdings within 12 months.

Chairman's letter

The following is a copy of a letter to Robert Fleming & Co. Limited from Mr L. C. Hunting, the Chairman of the Company:

The Directors
Robert Fleming & Co. Limited
Avenfield House
118-127 Park Lane
London W1Y 4HN
30th June 1978

Gentlemen,

In connection with the Offer for Sale of Ordinary Shares in Hunting Petroleum Services Limited ('the Company'), I have pleasure in providing you with the following information in relation to the Company and its subsidiaries ('the Group').

History and business

The Group's business is as follows:

1. Drilling and other oilfield services in the United Kingdom and elsewhere,
2. Crude oil marketing, storage and distribution in Canada,
3. Oil and gas exploration and development in North America,
4. Oil broking and other activities in France, and
5. Heating oil distribution in the United Kingdom.

Each of these activities is described below.

1 Drilling and other oilfield services

Hunting Oilfield Services Limited ('HOSL') commenced trading in 1967 when the principal business was the provision of machine shop and fabrication services to oil companies operating from the United Kingdom in the southern area of the North Sea. As the volume of business grew, HOSL acquired larger premises in Great Yarmouth and set up sales and workshop facilities in Aberdeen. The proportion of business handled in Aberdeen increased with the shift in the focus of exploration activity to the northern area of the North Sea. In 1976 HOSL transferred its headquarters to Aberdeen where management and design and development support are now concentrated. It is planned that the workshop facilities there and the manufacturing capacity at Great Yarmouth will be extended. HOSL also expanded overseas and established an associated company in Abu Dhabi in 1972 and subsidiary companies in Holland in 1974 and in the Netherlands Antilles in 1975.

HOSL now offers a comprehensive drilling support and service capability, mainly to oil companies drilling offshore. Its present operations are divided into the following main areas.

Turbodrilling

A turbodrill is a hydraulic powered drill used for drilling through certain strata formations.

For a number of years HOSL has been licensed to let on hire in the United Kingdom and Dutch sectors of the North Sea turbodrills manufactured by Alstom-Atlantique, a leading designer and manufacturer of turbodrills, based in France. HOSL is responsible for the maintenance and overhaul of the equipment and provides trained turbodrilling engineers. At the end of 1977, this licence was renegotiated for a 10 year term for the United Kingdom sector, with an extension of territory to include the Irish and Norwegian sectors. The licence for the Dutch sector was extended for a five year term at the beginning of 1976.

Directional drilling

Directional drilling is a sophisticated system which enables the operator to drill to specific subterranean targets in areas not immediately under the drilling platform.

Following discussions held with Drilling Control Incorporated ('DCI'), a Panama based company with experience of directional drilling off the western coast of South America, agreement was reached to set up a jointly owned company to provide directional drilling services outside the Americas. As a result Hunting Directional Drilling Services N.V. ('HDDS') was incorporated in the Netherlands Antilles in August 1975 with HOSL owning 51 per cent and DCI 49 per cent. Drill-Tech Limited ('Drilltech') was acquired by HOSL in April 1977 in order to expand the North Sea directional drilling capability. HDDS hires additional drillers to Drilltech for North Sea drilling as well as carrying on directional drilling in the Middle East.

The ability to obtain new work and the continuation of current contracts depend significantly on the reputation of the individual drillers. These men are highly paid specialists and therefore trading results will depend on the degree to which their time is utilised. Drilltech and HDDS are working primarily on contracts expected to spread over a number of years, supplemented by short duration work to maximise use of drillers. Currently, directional drilling contracts in the North Sea include work in the Thistle, Buchan and Ninian Fields.

Oilfield equipment manufacture and repair

Extensive repair and service facilities are offered at Aberdeen and Great Yarmouth for a wide range of oilfield equipment and the provision of such facilities has formed an important base for HOSL's business since it commenced trading. The division also manufactures items on a one-off basis to meet customers' specifications.

Diving equipment

To form the basis of a diving equipment division, HOSL acquired in March 1973 a small company which had built up a business in Great Yarmouth in the manufacture, repair and supply of diving equipment. The division manufactures low and high pressure compressors, decompression chambers and special order items to customers' requirements. A limited amount of testing and refurbishing of pressure vessels, cylinders and valves is also carried out.

Fabrication

The fabrication division is based in Aberdeen and, apart from general welding, the major proportion of the division's work currently involves the manufacture and maintenance of helicopter refuelling systems which are supplied to numerous rigs and platforms in the North Sea.

Engineering

This division provides design support to other divisions. Specific development work is also undertaken in close conjunction with customers and a number of projects have led to an extension of HOSL's product range, principally in large diameter tubular joints which are used in drilling work. One such product is the Talon joint, a device for joining well casing together, which was designed and proved by HOSL in 1977. A major production order for the Talon joint has already been received and it is thought that this product is likely to play a significant part in the expansion of HOSL.

Dutch operations

Hunting Oilfield Services B.V. commenced operations in Den Helder in April 1974, to enable HOSL to provide drilling companies in the Dutch sector of the North Sea with turbodrilling, repair and other oilfield services similar to those provided in the United Kingdom sector.

Abu Dhabi operations

HOSL has a 24.5 per cent interest in Abu Dhabi Oilfield Services W.L.L., a joint venture company set up in 1972, which provides oilfield service and repair facilities and acts as a sales agent for a considerable number of manufacturers of oilfield equipment.

Share capital and indebtedness

Share capital		Issued and now being issued, fully paid
Authorised		
£		
3,000,000	in 12,000,000 Ordinary Shares of 25p each	2,393,750
312,500	in 1,250,000 Deferred Shares of 25p each	312,500
3,312,500		2,706,250

The Ordinary Shares and the Deferred Shares rank *pari passu* in all respects, save that the Deferred Shares do not entitle the holders thereof to participate in any dividend or other distribution declared, made or paid in respect of any financial period of the Company commencing prior to 1st January 1983.

Application has been made to the Council of The Stock Exchange for the whole of the issued Ordinary Share capital of the Company to be admitted to the Official List.

Indebtedness

At 19th May 1978 the companies which are now subsidiaries of the Company had outstanding bank indebtedness of £2,969,041, of which £2,695,273 was secured, other secured loans of £311,018, other secured indebtedness of £750,000, other unsecured borrowings of £110,680 and hire purchase commitments amounting to £305,061. Guarantees given by such companies and outstanding at 19th May 1978 (other than guarantees which will be released upon the issued Ordinary Share capital of the Company being admitted to the Official List) amounted to £737,089 and the Company has agreed (upon such issued Ordinary Share capital being so admitted) to assume liability in respect of guarantees totalling £1,019,926 at 19th May 1978, given on behalf of subsidiaries by a subsidiary of HAIL and by Gibson, of which £358,359 is included above under other secured indebtedness. Amounts in foreign currencies have been translated into sterling at the rates of exchange ruling at 19th May 1978.

Save for the foregoing and for intra-group transactions, neither the Company nor any of its subsidiaries had outstanding at 19th May 1978 any borrowings or indebtedness in the nature of borrowing, including bank overdrafts, liabilities under acceptances (other than normal trade bills) or acceptance credits, mortgages, charges, hire purchase commitments, or guarantees or other material contingent liabilities.

2 Crude oil marketing, storage and distribution

The principal trading subsidiary in Canada is Gibson Petroleum Company Limited ('Gibson Petroleum') in which the Group has a 54.9 per cent interest. The other major interest in Gibson Petroleum is owned by Western Crude Oil Inc., a subsidiary of Reserve Oil & Gas Company. The business is concerned with the purchase, transportation and sale of crude oil in Alberta and Saskatchewan. These services are of particular importance to oil companies whose production volume does not warrant the maintenance of their own marketing or transportation departments. The operations are divided into the following four main areas.

Crude oil marketing

The buying and selling of crude oil was the original activity of Gibson Petroleum when its business was established in 1950. Crude oil is purchased, principally at the wellhead, for resale to customers in Canada and therefore the marketing activity is closely linked with the trucking operations described below. Gibson Petroleum is one of the few approved purchasers of crude oil in Alberta not controlled by a major oil producer or refiner. Since 1975, the Alberta Petroleum Marketing Commission has been the sole marketing authority for most crude oil production in the Province by being interposed between the producer and the marketer but to date this has not affected the trading results of Gibson Petroleum.

Pipelines

Gibson Petroleum owns and operates three gathering pipeline systems in Alberta and has a one-third interest in the Wascana pipeline which runs between the USA and Canada.

The most active of the gathering systems is the Bellshill Lake pipeline which comprises some 25 miles of main pipeline and 15 miles of gathering pipeline and ends at the Hardisty terminal owned by Gibson Petroleum. The other systems owned by Gibson Petroleum are the St. Albert and Normandville pipelines.

Gibson Petroleum, Western Crude Oil Inc. and Murphy Oil Company Limited each owns one-third of the shares in both Wascana Pipe Line Limited, a Canadian company, and Wascana Pipe Line Inc., a US company (together called the 'Wascana Companies'). The Wascana Companies were formed to construct and operate a crude oil pipeline 165 miles long from Regina, Saskatchewan, Canada to Poplar, Montana, USA and commenced operations in 1973.

The Wascana Companies operated profitably for two years until the Canadian Government adopted a policy of phasing out exports of crude oil to the USA, with the result that by 1976 there were minimal quantities of oil available to be transported through this pipeline. Since early 1977, however, the flow has been reversed and crude oil is now being transported from Montana, USA in bond through the Wascana and Interprovincial pipelines to Wisconsin, USA for refining. In 1978, as a result of swap arrangements between the US and Canadian Governments, the Wascana pipeline is handling additional US crude oil which is being refined at Regina and this increased activity is expected to return the Wascana Companies to profitability for the current year.

Terminals

Gibson Petroleum owns and operates two storage and injection terminals which are situated at Edmonton and Hardisty, Alberta, adjacent to the transcontinental pipeline, and a number of other smaller tank installations.

The Edmonton terminal, which is connected to the Interprovincial and Trans-Mountain pipelines, includes seven storage tanks, built mainly in the period 1961 to 1963, with a total capacity of 113,000 barrels. Since 1973 the terminal has had facilities for storing and loading liquefied petroleum gas and a new loading rack is under construction.

The Hardisty terminal includes eight storage tanks with a total capacity of 472,000 barrels, and a further two tanks with a combined capacity of 450,000

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Hunting Petroleum Services Limited — continued

barrels which were built in 1976 and leased to Pacific Petroleum Limited for a period of 15 years. The terminal is at the end of the Bellshill Lake pipeline and of three pipelines operated by other companies and is also an injection point between Edmonton and Regina into the interprovincial pipeline.

Trucking

The terminals referred to above are used as bases for the trucking operations of Gibson Petroleum and its wholly owned subsidiary, involving the transportation of oil in Alberta and Saskatchewan from the wellhead to terminals and refineries. These trucking operations provide a service to producers of crude oil in Alberta and Saskatchewan who do not have direct access to a pipeline system. The remoter areas serviced tend to be accessible only in the winter months and, in order to complement this seasonal activity, Gibson Petroleum is engaged in asphalt hauling and spraying during the summer months.

3 Oil and gas exploration and development USA

Brazos Young Corporation ('Bycor') was incorporated in 1938 for the purpose of exploring for oil and gas reserves and acquiring producing oil and gas properties in the USA. It has no direct employees but has operated since its formation in conjunction with McAlester Fuel Company ('McAlester'), which in January 1977 became a subsidiary of Alaska Interstate Company ('Alaska'), a company listed on the New York Stock Exchange. McAlester's main business is the exploration for and development of oil and gas reserves for which it employs a staff of geologists, engineers and other specialists.

The arrangements between Bycor and McAlester are governed by an annual contract which specifies the maximum sum which Bycor will commit to McAlester's budget for exploration commencing in the ensuing year, such sum to include a fee payable to McAlester of 15 per cent of the amount expended on actual exploration. These arrangements also specify the ratio in which interests acquired are to be apportioned and income and expenses shared: in 1975, 1976 and 1977, the ratio was 1:3, Bycor to McAlester, while for 1978 the ratio is 1:4. Neither McAlester nor Bycor participates in any exploration activity independently of the other except in relation to interests owned by Alaska at the time it acquired McAlester.

Bycor has working interests, i.e. interests requiring a proportionate contribution to costs, in 270 producing oil and gas wells, with the major interests being situated in Louisiana, Texas and Montana. Bycor's share of production from these interests at the end of 1977 was averaging 330 barrels of crude oil and 550 thousand cubic feet ('mcf') of natural gas per day.

The table below sets out the quantities and average selling price of oil and gas derived from its working interests and sold by Bycor over the five year period to 31st December 1977.

	Barrels of crude oil sold	Average crude oil selling price per barrel \$	mcf of gas sold	Average gas selling price per mcf \$
1973	135,672	3.54	7,243	0.64
1974	169,628	5.81	9,882	0.95
1975	201,388	7.82	11,543	1.38
1976	184,543	7.68	32,567	1.26
1977	132,216	7.57	137,930	1.56

The fall in oil sales in 1976 and 1977 was the result of the normal decline in production over the life of existing wells, occurring mainly in Montana. No important new oil discoveries were made in these years and it is therefore expected that the quantity of crude oil sold will continue to decline until further reserves are discovered. Gas sales have contributed an increasing proportion of Bycor's total income and this trend is likely to continue in 1978 owing to the discovery in 1976 in Louisiana of four new gas wells, two of which commenced production in May 1977 and the other two in December 1977.

In addition to its working interests Bycor has a number of royalty interests, i.e. interests not requiring a contribution to costs, its share of production from which in 1977 totalled 13,000 barrels of oil and 115,000 mcf of gas. Bycor has not acquired any significant additional royalty interests during the last five years and does not envisage doing so in the foreseeable future.

The price of crude oil is strictly controlled by the Federal Energy Regulatory Commission, as is the price of gas sold to out-of-State users, but there is still a free market for gas sold within the State in which it is produced.

Bycor's exploration budget for 1977 was not fully utilised, principally owing to a shortage of drilling rigs. Bycor participated in 16 exploratory wells during the year, three of which are commercially productive. McAlester is expanding its exploration activities and has recently opened offices in Denver, Colorado and Lafayette, Louisiana in which areas the main exploration effort in 1978 is being concentrated. Whilst the shortage of rigs has again proved to be a limiting factor in the early part of the 1978 programme, Bycor expects to contribute approximately \$1 million towards exploration during this year, an increase of some \$200,000 over 1977.

Alene Oil Company ('Alene') was formed in 1974 to acquire working interests in proven oil and gas reserves in the USA. These interests are situated in Texas, Wyoming and Louisiana and are supervised by McAlester under the terms of an annual management contract. Alene, like Bycor, has no direct employees.

DeGolyer and MacNaughton, independent petroleum consultants, have reviewed the crude oil and gas reserves of both Bycor and Alene as at 31st December 1977 and copies of their report and supplemental report accompany this letter. Their estimate of reserves for Bycor is 618,967 barrels of crude oil and 3,173,200 mcf of gas and for Alene, 110,595 barrels of crude oil and 628,573 mcf of gas.

Canada

For the past two years Gibson Petroleum has participated, as a minority partner, in a limited oil and gas exploration and acquisition programme in Alberta. At 31st December 1977 it had spent Can \$356,000 on this venture and proposes to spend a further Can \$200,000 during 1978.

4 Oil broking and other activities

The Company owns 99.93 per cent of the issued share capital of the French company Fretoil Société Nouvelle Pétrole et Affrètements S.A. ('Fretoil') whose principal activity is oil broking, which is conducted from its offices in Paris. In addition Fretoil operates as a tanker broker in the French market and also owns 41 rail tank cars from which it receives rental income.

Fretoil through subsidiaries has held a 25.7 per cent interest in Société Européenne de Stockage S.A. ('SES') since that company's incorporation in September 1975. SES completed construction of a storage facility for oil products at Strasbourg in June 1977.

5 Heating oil distribution

Fuel-Fast Limited, which was acquired by Hunting Gibson Limited ('Gibson') in 1975, is involved in the United Kingdom in the distribution and marketing of heating oil, mainly for commercial, agricultural and domestic purposes. It operates from seven depots and is an authorised distributor for Gulf Oil (Great Britain) Limited in the Midlands, for Amoco (U.K.) Limited in the South East and for Conoco Limited in the Bristol area. A subsidiary is engaged in bulk road tank haulage of liquids such as oil products, cooking oils, wine and latex.

Management and staff

The Group is to be organised on a divisional basis under HOSL and two other holding companies with local management continuing to operate with a substantial degree of autonomy. The Directors consider this structure likely to produce maximum enterprise and responsibility. The overall policy and the financial reporting and monitoring of the Group is to be controlled by the Board from the London headquarters of the Hunting Group of Companies where use is to be made of central administrative services. The proportion applicable to the Group of the total cost of these services, including Directors' salaries where appropriate, will be agreed annually. In this context, 'Hunting Group of Companies' means the Company, Gibson, Hunting Associated Industries Limited ('HAIL'), and Hunting Group Limited ('HG'), the parent company of Hunting Holdings Limited ('HH'), and their respective subsidiaries.

Directors

I am aged 52 and have been involved with the Hunting Group of Companies throughout my working life. I am also Chairman of HAIL, Gibson and HG.

G. P. Dollimore, CBE, aged 53, joined the Hunting Group of Companies in 1952 and is a Director of HAIL and Chairman of HOSL.

R. H. Hunting, aged 50, has been involved with the Hunting Group of Companies throughout his working life and is a Director of Gibson and HG. He will be the Chairman of the holding company for the subsidiaries being acquired from Gibson.

K. W. Miller, FCA, aged 39, joined the Hunting Group of Companies in 1961. He is a Director of HOSL and will be the Managing Director of the two other holding companies.

R. E. Treacher, FCA, aged 50, joined the Hunting Group of Companies in 1955 and is Finance Director of the Company, HAIL, Gibson and HG.

Senior management

In addition there are three Associate Directors:

R. W. A. Laidlaw, aged 49, joined the Hunting Group of Companies in 1960 and is President of Gibson Petroleum.

D. T. S. Mitchell, aged 38, joined the Hunting Group of Companies in 1967 and is Managing Director of HOSL.

Employees

The Group employs 382 people of whom 255 are employed in the United Kingdom, 70 in Canada, 18 in Holland and 14 in France. Labour relations are excellent.

The Group has not contracted out of the earnings related state pension scheme in the United Kingdom. However, it offers to employees pension benefits in addition to those provided under the state scheme.

In France, employees belong to the state pension scheme and in Canada employees are entitled to join a pension scheme operated by Gibson Petroleum.

Proceeds of issue and working capital

Of the 2,700,000 Ordinary Shares now being offered for sale 1,700,000 are new Ordinary Shares, which will raise approximately £1.2 million of additional finance for the Group, after deducting the expenses of the Offer for Sale to be borne by the Company estimated at £225,000. These funds will be used principally to finance expansion in the United Kingdom in the areas of drilling and other oilfield services and heating oil distribution. Having regard to available bank facilities, the Directors are of the opinion that the Group will have adequate funds to meet its present requirements for working capital.

Profits, prospects and dividends

Set out in the Accountants' Report are details of the profits of the Group for the five years ended 31st December 1977. The following table summarises the salient features of turnover and trading profit:

	1973 £'000	1974 £'000	1975 £'000	1976 £'000	1977 £'000
Turnover	60,061	94,639	109,712	121,321	124,642
Crude oil marketing, storage and distribution	58,146	91,215	104,878	111,499	110,323
Drilling and other oilfield services	587	1,239	1,586	3,454	6,069
Oil and gas exploration and development	253	626	1,109	1,292	1,006
Oil broking and other activities	1,075	1,559	1,257	1,098	919
Heating oil distribution	—	—	782	3,978	6,325

Trading profit before interest and share of profits and losses of associated companies

1,655	2,579	1,548	1,261	2,080
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Crude oil marketing, storage and distribution:					
Trading	795	1,315	692	818	1,171
Wascana provision	—	—	—	(585)	96
	795	1,315	692	233	1,267
Drilling and other oilfield services	48	178	49	338	360
Oil and gas exploration and development	74	234	355	480	382
Oil broking and other activities:					
Trading	740	952	525	322	237
Loss on sale and additional depreciation of vessels	—	—	—	(143)	(248)
	740	952	525	179	(11)
Heating oil distribution	—	—	27	31	82

Profit before taxation	1,726	2,928	1,689	951	1,737
Profit after taxation and minority interests	632	962	643	331	789

Profit record and prospects

Crude oil marketing, storage and distribution

The results for crude oil marketing, storage and distribution are dependent upon the level of activity in the Canadian petroleum industry. Following the increase in world crude oil prices, the Canadian Government allowed the Canadian price to increase substantially in 1974 resulting in a significant increase in the value of crude oil held by Gibson Petroleum. The price of Canadian crude oil has continued to increase and by the end of 1978 is expected to be close to current world prices. In 1975 and 1976, the Canadian petroleum industry suffered a marked decline in activity as a result of restrictive legislation from both the Federal and Provincial Governments and the Federal policy of phasing out exports of crude oil to the USA. This had an adverse effect on the Group's profitability and required an exceptional provision to be made against Gibson Petroleum's interest in the Wascana Companies. More recently however a more encouraging policy toward the industry by the Federal and Provincial Governments has resulted in improved trading conditions. In 1977 major new discoveries of crude oil were made in the Pembina area of Alberta and the Group, because of the location of the services it provides, should benefit from the increased activity to which these discoveries are likely to lead.

Drilling and other oilfield services

Drilling and other oilfield services have shown satisfactory growth over the period, with the exception of 1975 when a lull in North Sea exploration coincided with the costs of setting up a new workshop facility in Holland. Continued growth of the activities of the directional drilling subsidiaries and the extension of HOSL's product range should ensure that the 1978 results show a substantial improvement over the 1977 level.

Oil and gas exploration and development

The profits from oil and gas exploration and development depend on the success of the exploration programme in which the Group participates. In the period to 1976 new reserves were discovered and higher production and selling prices for both oil and gas resulted in increased profits. However, no important new discoveries were made in 1977, thus resulting in an increased depletion charge which, combined with the normal decline in production from existing wells, resulted in reduced profits in 1977 and is expected to result in a further reduction in 1978.

Oil broking and other activities

The contribution from oil broking should stabilise in 1978 after a downward trend following the exceptional profits earned in late 1973 and 1974 due to increased activity resulting from the substantial rise in the world price of oil. The 1976 results included a loss of £143,000 on the sale of Fretoil's 40 per cent interest in the first of two small bulk carriers; in 1977 a provision of £248,000 was created to reduce the book value of Fretoil's interest in the second bulk carrier to estimated realisable value, at which it has been subsequently sold, subject to the approval of the relevant French marine authority. The investment in the storage facility at Strasbourg is not expected to contribute to profits until 1979.

Heating oil distribution

This division has shown continued expansion since its acquisition in 1975 and this trend should continue in 1978.

Profit forecast

The Directors forecast that in the absence of unforeseen circumstances and on the bases and assumptions set out below, the consolidated profit of the Company before taxation and minority interests for the year ending 31st December 1978 will be approximately £2.4 million. Included in this forecast is an amount of £130,000 resulting from anticipated profits on sales of fixed assets.

The Directors also forecast that the tax charge, based on the above forecast profit before taxation and assuming that there will be no changes in taxation rates or policies in the countries in which the Group operates, will be approximately £1.04 million. This reflects the effective rates of taxation applicable to certain overseas subsidiaries.

Dividends and appropriation of profits

On the basis of the foregoing forecast of profit, it is the Directors' intention to declare an interim dividend on the Ordinary Share capital of the Company for the year ending 31st December 1978 of 1.4p per share, payable in January 1979, and to recommend a final dividend for that year of 3.25p per share, payable in or about July 1979, making a total for the year of 4.65p per share. These dividends, with the related tax credits at the current rate of 34 per cent, would be equivalent to a gross distribution of 7.045p per share. In accordance with their terms of issue no dividend will be payable on the Deferred Shares until 1983.

The following table shows how a profit before taxation of £2.4 million would be appropriated assuming the forecast tax charge of £1.04 million and dividends at the forecast level of 4.65p per share on 9,575,000 issued Ordinary Shares.

Profit before taxation	£'000
Less: taxation	2,400
	1,040
	1,260
Less: interest of minority shareholders	300
Profit attributable to shareholders	1,060
Less: dividends totalling 4.65p per share on Ordinary Shares	445
Profit retained	615

On the above basis the dividend on the Ordinary Shares would be covered 2.38 times by the profit after taxation and minority interests and would, together with the related tax credits at the current rate, represent a gross equivalent dividend yield of 8.29 per cent on the offer price of the Ordinary Shares. At this price, based on the total issued Ordinary and Deferred Share capital, the Ordinary Shares would stand on a fully diluted prospective price earnings multiple of 2.88.

Yours faithfully,
Clive Hunting
Chairman

Petroleum consultants' reports

To: Brazos Young Corporation and Alene Oil Company
P.O. Box 907
McAlester
Oklahoma

DeGolyer and MacNaughton
One Energy Square
Dallas, Texas 75203
USA

Gentlemen,

Pursuant to your request we have made an appraisal as of December 31, 1977 of the extent and value of the petroleum properties owned by both Brazos Young Corporation, hereinafter referred to as 'Bycor' and by Alene Oil Company, hereinafter referred to as 'Alene'.

Bases of Valuations

Data used in the preparation of this report was obtained from McAlester Fuel Company, Magnolia, Arkansas, which operates or participates in operating some of the properties and also maintains all of the production and financial records; from records filed with the regulatory agencies in the several states; and from our library and files. All data required was made available for our inspection and use. Visits previously have been made by members of our staff to McAlester Fuel Company's offices in Magnolia, Arkansas, and in McAlester, Oklahoma. A field inspection of the properties appraised was not considered necessary for the purposes of this report.

All reserves in this report are considered as proved because of successful testing or actual production and essentially all are developed by existing wells. Recovery above that obtainable as a result of energy inherent in the reservoirs and which results from some form of fluid injection is considered proved only in those reservoirs where such methods are now in normal operation or which have been proved economic by pilot operations or by adequate data preliminary to such recovery operations.

Estimates of reserves were prepared by the use of standard geological and engineering methods generally accepted by the petroleum industry. The method or combination of methods used in the study of each reservoir was tempered by experience in the area, consideration of the stage of development of the reservoir, and the quality and completeness of data.

For properties in stages of new production or those from which production rates have remained more or less constant, reserves were estimated primarily by the volumetric method. In some cases, structural and isopachous maps were prepared for use in estimating reservoir volumes. All pertinent reservoir data, including logs of formation properties, core analyses, drill-stem tests, production tests, reservoir fluid analyses, and bottom-hole pressure and temperature data, were used to prepare these maps as well as to determine the volume of productive reservoir rock and reservoir fluid characteristics.

Recovery from the various reservoirs and leases was estimated after consideration of the type of energy inherent in the reservoirs, the structural position of the properties, and reservoir and well performance. In some instances, comparisons were made with the same reservoir or with similar producing reservoirs in the area on which more complete data was available.

The reserves of depletion-type reservoirs or other reservoirs whose performance characteristics disclosed a reliable decline in producing-rate trends or other diagnostic characteristics were estimated by analysis of the production histories of the reservoirs and leases. These estimates were based primarily on extrapolation of production-decline curves and on appropriate consideration of other performance correlations involving reservoir pressures, gas-oil ratios, water production, and other parameters.

In analyzing decline curves, limiting rates of economic production were calculated based on the continuance of current prices for saleable hydrocarbons and current lease operating costs and taxes. Reserves were estimated only to these limits.

All gas volumes are expressed at a temperature of 60 degrees Fahrenheit and at the standard pressure base applicable by state regulation or under existing gas sales contracts. If gas liquids are being recovered in a plant, estimates of reserves include both wet gas and dry residue gas, depending upon the point at which the sale is made as well as upon contract provisions affecting the sale.

Current prices for sales of oil and gas liquids were used to forecast future gross revenue from the properties appraised. Allowance was made, however, for price regulation by the Federal Energy Regulatory Commission to its proposed expiration in May 1979, after which the level reached was assumed to continue over the remaining life of the properties. Free market prices were used for stripper rates of production when reached and where appropriate. A stripper well is a well producing less than 10 barrels per day. Contract prices or the equivalent were used to forecast future revenue from gas sales, including provisions for escalation where suitable.

Bycor

Bycor owns leasehold interests in oil- and gas-producing properties in 22 fields in Arkansas, Louisiana, Mississippi, Montana, Texas, and Wyoming, and royalty interests in several properties in Arkansas, Louisiana, Montana, and Texas. Bycor also owns interests in undeveloped acreage in the aforementioned states as well as in Colorado, Nebraska, New Mexico, and South Dakota. Properties in four of the producing fields are utilized to facilitate fluid-injection programs now in progress. An active drilling program is being conducted in the Cold Turkey field in North Dakota for which proved undeveloped reserves have been estimated. Properties in the remaining fields essentially are considered to be developed completely by the present wells, although fluid-injection projects presently being conducted in some of the reservoirs could require additional drilling to improve the efficiency of a project.

We estimate the gross proved reserves of the properties appraised, as of December 31, 1977, to be 86,535,812 barrels of oil and gas liquids and 87,038,773,000 cubic feet of gas; of these, 618,967 barrels and 3,173,200,000 cubic feet are net to Bycor's interests after including net royalty production. Of the total net oil and gas liquids reserves, 23,703 barrels, or 4 per cent, are considered to be proved but undeveloped.

The future gross revenue, including net royalty income, is estimated to be \$10,720,992 after deducting severance taxes. Deduction of \$1,160,324 for operating costs, development and other capital costs, and ad valorem taxes leaves a future net revenue of \$9,560,668.

Bycor owns 20,342 net acres in 161,737 gross acres which are not considered at this time to be proved for production of oil or gas. Much of this acreage is located near or adjacent to other acreage or units on which wells currently are producing, although dry holes in some areas limit its potential value. It is our opinion that this undeveloped acreage has relatively minor additional value beyond that estimated for the developed properties.

Alene

Alene owns leasehold interests in oil- and gas-producing properties in five fields in Louisiana, Texas and Wyoming. Properties in three of the producing fields are utilized to facilitate fluid-injection programs now in progress. The producing properties are considered to be developed completely by the present wells, although fluid-injection projects sometimes can require additional drilling to improve the efficiency.

We estimate the gross proved reserves of the properties appraised, as of December 31, 1977 to be 1,201,484 barrels of oil and gas liquids and 4,917,288,000 cubic feet of gas; of these 110,595 barrels and 628,573,000 cubic feet are net to Alene's interests.

Assuming continuance of present or contract prices for oil and gas, Alene's future gross revenue is estimated to be \$1,965,536 after deducting severance taxes. Deduction of operating costs, capital costs, and ad valorem taxes, which are estimated to total \$258,318, leaves a future net revenue of \$1,707,218.

Hunting Petroleum Services Limited—continued

The following tables are summary projections of annual production and revenue from petroleum properties of Bycor (working interests and royalties) and Alene (working interests) as of December 31, 1977.

Bycor	Net Production		Future Net Revenue	
Year	Oil	Gas	Annual	Cumulative
Beginning January 1	(Barrels)	(mcf)	\$	\$
1978	127,637	502,510	1,613,102	1,613,102
1979	102,882	441,189	1,356,973	2,970,075
1980	86,057	400,026	1,252,782	4,222,857
1981	69,176	358,459	1,099,883	5,322,740
1982	53,636	313,985	930,508	6,253,248
1983	42,151	296,572	815,867	7,069,115
1984	31,442	260,309	658,338	7,727,453
1985	25,280	180,080	481,592	8,209,045
1986	18,951	102,007	299,545	8,508,590
1987	12,595	54,962	200,149	8,708,739
1988	10,684	28,779	122,900	8,831,639
1989	9,693	58,186	177,053	9,008,692
1990	7,268	60,531	163,923	9,172,615
1991	5,758	52,857	140,189	9,312,804
1992	4,663	32,939	97,484	9,410,288
Subtotal	607,873	3,143,391	9,410,288	9,410,288
Remaining	11,094	29,809	150,080	9,560,368
Total	618,967	3,173,200	\$9,560,368	\$9,560,368

Alene		Net Production		Future Net Revenue	
Year	Oil	Gas	Annual	Cumulative	
Beginning January 1	(Barrels)	(mcf)	\$	\$	
1978	21,743	154,346	352,095	352,095	
1979	19,523	136,738	320,133	672,228	
1980	18,609	128,017	313,900	986,128	
1981	15,642	96,083	258,806	1,244,934	
1982	10,301	55,532	171,612	1,416,546	
1983	7,673	34,872	117,733	1,534,279	
1984	5,849	18,805	74,987	1,609,266	
1985	4,070	4,180	38,983	1,648,049	
1986	3,066	—	24,327	1,672,376	
1987	2,383	—	19,084	1,691,460	
1988	1,853	—	15,057	1,706,517	
1989	83	—	701	1,707,218	
1990	—	—	—	1,707,218	
1991	—	—	—	—	
1992	—	—	—	—	
Total	110,595	628,573	\$1,707,218	\$1,707,218	

In our opinion, the fair market value of the properties as of December 31, 1977 is \$5,100,000 in the case of Bycor and \$1,000,000 for Alene.

Fair market value is that amount for which the properties under consideration could probably be sold by one who desires to sell, but is under no urgent

necessity to sell, to a buyer who desires to buy, but is under no urgent necessity to buy, in an arm's-length transaction with both parties having reasonable knowledge of the facts.

Submitted
DeGolyer and MacNaughton

March 20, 1978.

Supplemental Report

To: Brazos Young Corporation
and Alene Oil Company
P.O. Box 907
McAlester
Oklahoma

DeGolyer and MacNaughton
One Energy Square
Dallas, Texas 75206
USA

Gentlemen,

We refer to our report dated March 20, 1978 on the oil and gas reserves of Bycor and Alene as of December 31, 1977.

We have reviewed with McAlester Fuel Company developments which have occurred between December 31, 1977 and May 1, 1978 which might affect Bycor and Alene's properties and we concur with McAlester Fuel Company's opinion that no significant change has occurred other than production during this intervening period.

Submitted
DeGolyer and MacNaughton

June 15, 1978.

Accountants' report

The following is a copy of a report to the Directors of the Company and of Robert Fleming & Co. Limited by Price Waterhouse & Co., Chartered Accountants, the Auditors of this Company and Reporting Accountants:

Southwest Towers
32 London Bridge Street
London SE1 9SY
30 June 1978
The Directors
Hunting Petroleum Services Limited
Robert Fleming & Co. Limited
Gentlemen,
Hunting Petroleum Services Limited (the company) was incorporated on 1 June 1978 and did not trade prior to 6 June 1978, when it conditionally acquired the subsidiaries listed below in exchange for 7,875,000 of its ordinary shares and 1,250,000 of its deferred shares.
Fretol Société Nouvelle Pétrole et Affiliés S.A. (99.93 percent)
Fuel-Fast Limited
Gibson Crude Oil Purchasing Co. Limited (80 per cent)
Hunting Gibson (America) Limited
Hunting Gibson (Overseas) Limited
Hunting Oilfield Services Limited
Hunting Oil Terminals Limited
Meyflower Trading and Investment Company Limited

All these companies are wholly owned, except as indicated above, and together with their subsidiaries, in some of which there are significant minorities, and the company are referred to herein as "the group".

We have examined the books and accounts of the companies now forming the group for the period relevant to this report. In our opinion the statements of turnover and profits, source and application of funds and net assets set out below, which are based on audited accounts after making such adjustments as we consider appropriate and which have been prepared under the historical cost convention, give under that convention a true and fair view of the profits and source and application of funds of the group for the five years ended 31 December 1977 and of its net assets at 31 December in each of the years 1972 to 1977.

No accounts of the company have been prepared for submission to members since its incorporation and no accounts of subsidiaries have been so prepared for any period subsequent to 31 December 1977. No dividends have been declared or paid by the company.

Accounting policies

The merger basis of accounting has been used to present the combined financial information of the companies now forming the group. Accordingly the shares in the company are recorded as being issued at par and the net assets of the companies concerned have been combined and carried forward at their book amounts.

Goodwill on acquisitions by the subsidiaries, representing the excess cost of shares in companies acquired over their net tangible assets at acquisition, is carried forward.

Fixed assets and depreciation
The costs of exploring, acquiring and developing oil and gas properties are capitalised, including non-productive exploration and drilling costs, provided that the book amount of such costs, after providing for depletion, depreciation and amortisation, does not exceed the estimated value of proven recoverable reserves. Depletion, depreciation and amortisation is provided using the unit of production method based on the estimated total proven recoverable oil and gas reserves of each subsidiary.

Other fixed assets are stated at cost, and depreciation is provided in equal annual instalments over their estimated useful lives.

Associated companies

Associated companies are defined as those companies, not being subsidiaries, in which group companies have an interest of not less than 20 per cent and in whose commercial and financial policies they participate. The combined profits include the group's share of the results of associated companies for years ended 31 December, based on audited accounts or, in the case of two associated companies with 30 June year ends, on unaudited management accounts.

Foreign currencies

Assets and liabilities and the results of overseas subsidiaries and associated companies have been expressed in sterling at the market rates ruling at 31 December in each year; the differences arising from the movement in exchange rates have been dealt with through reserves.

Deferred taxation

The amount set aside for deferred taxation represents tax at the rates applicable for the year on the excess of capital allowances in respect of fixed assets over the corresponding provisions for depreciation and on other timing differences, including stock appreciation relief.

Stocks and work in progress
Stocks and work in progress are stated at the lower of cost and estimated net realisable value. The cost of work in progress includes, together with direct labour and material costs, production overheads and a proportion of administrative overheads.

Turnover and profits

The turnover and profits of the group for the five years ended 31 December 1977 based on audited accounts and after making such adjustments as we consider appropriate, were as follows:

Notes	1972	1973	1974	1975	1976	1977
£'000	£'000	£'000	£'000	£'000	£'000	£'000
Turnover	60,061	94,639	108,712	121,321	124,842	124,842
Cost of sales and expenses	88,408	81,880	108,084	120,050	122,862	122,862
Trading profit	2,653	12,759	1,628	1,271	2,980	2,980
Interest payable	(7)	(28)	(181)	(291)	(354)	(354)
Interest receivable	74	212	138	180	189	189
Share of profits and losses of associated companies	—	53	84	(169)	(88)	(88)
Profit before taxation	1,728	2,828	1,888	881	1,737	1,737
Taxation	882	1,590	828	752	846	846
Profit after taxation	846	1,238	1,060	129	891	891
Minority interests	(212)	(370)	(217)	132	(302)	(302)
Profit after taxation and minority interests	634	868	843	261	589	589

Notes

1 Turnover
Turnover represents the total amounts receivable in the ordinary course of business for services provided and for products sold.

An analysis of turnover by significant activity and geographical location is as follows:

Notes	1972	1973	1974	1975	1976	1977
£'000	£'000	£'000	£'000	£'000	£'000	£'000
Activities:						
Crude oil marketing, storage and distribution	58,148	91,216	104,878	111,499	110,323	110,323
Drilling and other oilfield services	587	1,239	1,688	3,454	8,069	8,069
Oil and gas exploration and development	253	528	1,107	1,282	1,008	1,008
Oil broking and other activities	1,076	1,358	1,287	1,098	919	919
Heating oil distribution	—	—	782	3,978	8,226	8,226
	60,061	94,639	108,712	121,321	124,842	124,842
By company location:						
Canada	58,148	91,216	104,878	111,499	110,323	110,323
USA	253	528	1,107	1,282	1,008	1,008
United Kingdom	587	1,170	2,249	6,513	11,108	11,108
France	1,076	1,358	1,287	1,098	919	919
Other	—	—	218	919	1,286	1,286
	60,061	94,639	108,712	121,321	124,842	124,842

2 Trading profit
Trading profit is arrived at after charging/(crediting):

Notes	1972	1973	1974	1975	1976	1977
£'000	£'000	£'000	£'000	£'000	£'000	£'000
Depreciation, depreciation and amortisation	236	396	773	1,035	1,289	1,289
Hire of plant and equipment	37	128	138	303	863	863
Provision against Wascana pipeline operations	—	—	—	—	885	(98)
Loss on sale of vessel	—	—	—	—	143	—
Additional depreciation to reduce book amount of vessel to estimated realisable value	—	—	—	—	—	248
	273	524	911	1,338	2,025	2,025
In accordance with the accounting policy of the group, the following exchange gains/(losses) have been dealt with through reserves:						
Fixed assets, less long term debt	40	5	481	517	(448)	(448)
Other net assets	50	27	(38)	20	(25)	(25)
	90	32	443	537	(473)	(473)
The contribution to trading profit of the significant activities and geographical locations is as follows:						
Activities:						
Crude oil marketing, storage and distribution	795	1,315	692	233	1,267	1,267
Drilling and other oilfield services	46	178	49	338	380	380
Oil and gas exploration and development	74	234	355	480	382	382
Oil broking and other activities	740	892	828	179	111	111
Heating oil distribution	—	—	27	31	82	82
	1,655	2,619	1,648	1,261	2,089	2,089
By company location:						
Canada	795	1,317	692	227	1,264	1,264
USA	46	244	369	487	396	396
United Kingdom	36	181	64	117	265	265
France	740	892	828	179	111	111
Other	—	15	(2)	23	145	145
	1,655	2,619	1,648	1,261	2,089	2,089

3 Taxation
The taxation charge, which is based on the profit for the year, comprises:

Notes	1972	1973	1974	1975	1976	1977
£'000	£'000	£'000	£'000	£'000	£'000	£'000
UK corporation tax	25	111	48	(47)	(188)	(188)
Overseas taxation	789	1,257	624	624	624	624
Deferred taxation	58	205	258	332	285	285
Associated companies	—	17	1	(17)	—	—
	872	1,590	829	752	846	846

The tax charge was substantially in excess of 52 per cent in 1976, principally due to the provision against Wascana pipeline operations not being available as a deduction from taxable profits. The tax charge was substantially less than 32 per cent in 1977, due to a number of factors none of which was individually significant.

Source and application of funds

The source and application of funds of the group for the five years ended 31 December 1977, based on audited accounts and after making such adjustments as we consider appropriate, were as follows:

Notes	1972	1973	1974	1975	1976	1977
£'000	£'000	£'000	£'000	£'000	£'000	£'000
Source of funds:						
Operations:						
Profit before taxation	1,728	2,828	1,888	881	1,737	1,737
Adjustment for items not involving the movement of funds:						
Depreciation	236	396	773	1,035	1,289	1,289
Associated companies	(4)	(63)	(84)	168	88	88
Exceptional losses and additional depreciation in respect of fixed assets	—	—	—	143	248	248
	1,958	3,261	2,577	2,298	3,342	3,342
Other sources:						
Loans	—	1,732	598	588	288	288
Sale of fixed assets	75	22	238	589	353	353
Exchange differences	80	32	443	537	(473)	(473)
Balances with other Hunting companies	(8)	202	(318)	38	826	826
Increase in crude oil proceeds repayable	—	180	370	480	(38)	(38)
Issue of shares	157	2,108	1,548	2,728	856	856
	2,115	5,429	3,923	5,028	4,286	4,286
Application of funds:						
Fixed assets	595	2,579	2,978	4,207	2,371	2,371
Taxation paid	335	1,025	1,106	344	539	539
Loans repaid	15	16	410	782	281	281
Associated companies	(28)	(16)	88	284	192	192
Investments	39	(8)	(9)	28	88	88
Goodwill on acquisition	—	—	23	—	140	140
Minority interests	181	371	(113)	(195)	285	285
Dividends paid	—	—	386	250	589	589
	1,180	3,986	4,826	5,701	4,486	4,486
	835	1,433	(1,003)	(675)	(188)	(188)
Increase/(decrease) in working capital	—	—	—	—	—	—
Stocks and work in progress	974	1,004	(404)	578	(385)	(385)
Debtors	1,373	3,303	1,953	1,382	489	489
Creditors and provisions	(1,173)	(2,637)	(2,273)	(3,338)	615	615
Net bank finance	(238)	(267)	(278)	422	(1,004)	(1,004)
	935	1,433	(1,003)	(675)	(188)	(188)

Net assets
The net assets of the group at 31 December in each of the years 1972 to 1977, based on audited accounts and after making such adjustments as we consider appropriate, were as follows:

The net assets of the group at 31 December in each of the years 1972 to 1977, based on audited accounts and after making such adjustments as we consider appropriate, were as follows:							
	Note	1972	1973	1974	1975	1976	1977
		£'000	£'000	£'000	£'000	£'000	£'000
Fixed assets		1,252	1,576	3,737	3,701	8,141	8,842
Investment in associated companies	1	123	101	149	301	416	520
Investments	3	318	358	350	341	370	408
Goodwill		—	—	—	23	23	113
Current assets							
Cash and bank in progress		265	1,339	2,373	1,989	2,846	2,580
Debtors		2,725	4,089	7,402	8,395	10,717	11,203
Short term notes and deposits		342	814	627	483	719	321
Cash at bank and in hand		183	81	284	251	541	148
		3,655	6,133	10,686	12,026	14,822	14,232
Current liabilities							
Bank overdrafts (secured)		—	369	852	524	1,068	1,271
Creditors and provisions		2,404	3,577	6,211	8,447	11,822	12,807
Taxation		89	515	858	274	283	198
		2,493	4,461	7,824	8,869	13,153	12,646
Net current assets		1,163	1,672	2,762	2,843	1,666	1,586
Net balance With other Holding companies	5	(488)	(482)	(684)	(376)	(414)	(1,240)
		2,398	3,215	5,304	5,333	10,195	10,140
Crude oil proceeds repayable	6	—	—	(180)	(850)	(1,030)	(692)
Minority interests	7	(651)	(832)	(1,137)	(1,367)	(1,430)	(1,467)
Deferred taxation	8	(68)	(129)	(351)	(668)	(1,057)	(1,278)
Loans	8	(145)	(130)	(1,848)	(2,034)	(2,241)	(2,248)
		(665)	(1,091)	(3,514)	(4,808)	(5,768)	(5,988)
	9	1,533	2,124	2,790	3,724	4,437	4,184

OFFSHORE AND OVERSEAS FUNDS

[illegible][illegible]

Economic upsurge still restrained

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE IMPROVEMENT in UK economic activity and output remains uneven and falls short of broad conditions, according to two major surveys of industrial opinion published this morning.

The Confederation of British Industry monthly trends inquiry shows that since the early spring there may have been a slight improvement in total order books, a more marked recovery in export order books and some reduction in the proportion of companies with high stocks of finished goods.

The inquiry, which covers 2,337 manufacturing companies, reports that the forecast for volume of output in the next four months is much weaker than earlier in the year.

Broadly similar conclusions are suggested by the Financial Times monthly business opinion survey, also published this morning. This confirms the more optimistic view of export prospects, but shows little change in the trend of new orders.

These results might appear surprising in view of the evidence of a quite sharp rise in consumer demand, in particular, for household durable goods. But a significant part of this rise may have been met from imports.

Moreover, the CBI suggests that the recent weakening in the four-month forecast of manufacturing production may be because companies choose to meet demand at least in part by reducing stocks of goods from levels judged too high.

The FT survey shows a rising proportion of companies saying their stocks are too high. Government figures last week revealed a very sharp rise in industry's stocks in the first three months of this year, which may have since been reversed.

The CBI notes the sharp rise in manufacturing output in April, but says "further movements in the same direction, combined with more encouraging trends in our own surveys, will be needed before we can be reasonably confident that a worthwhile rise in manufacturing output has begun and will go on."

The improvement in the real profitability of industry, excluding North Sea operations, last year has been halted and is likely to be reversed in the rest of the year, according to the CBI.

Low ebb

"Unless there is a very marked fall in the rate of pay inflation, we see little chance of real profitability even returning to last year's level by 1979."

Arab League freezes its links with South Yemen

BY ROGER MATTHEWS

CAIRO, July 2.

MOST ARAB countries decided today to freeze relations and cut all economic links with South Yemen, the clearest indication yet of the deep concern by the more conservative Arab states over growing Soviet influence in the region.

After a two-day emergency session of the 23-country-strong Arab League, the 16 participating members issued a strong statement condemning last week's murder of the President of North Yemen, Mr. Ahmed Hussein al-Ghassani.

They had received a report from the North Yemeni delegation which is said to have shown involvement by the Aden Government.

As a result all political and diplomatic relations will be frozen with South Yemen, and economic, cultural and technical links suspended. This decision will be reconsidered when South Yemen again respects the provisions of the Arab League charter, the statement said.

Arab League members were reported to have been "deeply angered" by South Yemen's alleged participation in the murder of President al-Ghassani, who was killed by a bomb concealed in an attaché case.

They were said to be further alarmed by the subsequent fighting in Aden which led to the overthrow and execution of the South Yemeni president, Mr. Salem Rubai Ali, who is said to have been toppled by strongly pro-Moscow elements.

Saudi Arabia's attitude is believed to have been crucial and Prince Saud, the Foreign Minister, lobbied strongly for action to be taken against South Yemen.

"This is the first time that the Arab League has agreed to take sanctions against a member state and we are proud of the decision," said Mr. Abdullah El Assag, the North Yemeni foreign minister.

"We are fully capable of meeting any threats or attempts to subvert our internal stability," he added.

It may not be clear for some weeks how effective the freeze will be. The Arab League decision finding on those members who voted for it, it is being claimed in Sanaa.

Left-wing Labour MPs plan campaign against Boyle rises

BY RICHARD EVANS, LOBBY EDITOR

LEFT-WING Labour MPs are planning a campaign against Cabinet plans to implement by stages the substantial salary increases of up to £20,000 a year recommended for senior public servants by the top salaries review body chaired by Lord Boyle.

The first stage will be to mobilise party opinion against the increases at the special meeting of the Parliamentary Labour Party to be addressed by the Prime Minister tomorrow.

The meeting has been called primarily to defuse a party row before the Government formally announces its decision on the recommendations of the Boyle report later in the week.

After the meeting attempts will be made to muster opinion among senior Ministers and in the trade union movement against the rises, which Left-wingers regard as grotesquely high and politically inept at a time Ministers are seeking further pay restraint from the unions.

There are known to be continuing anxieties within the Cabinet over implementation following fierce opposition to the Boyle rise by Mr. Michael Foot, Lord President.

Details of the rear-guard party campaign will be discussed by the Labour Group at its weekly meeting at the Commons tonight. Although not on the formal agenda the matter is also likely to be raised at today's meeting of the TUC which the Prime Minister will attend.

Although Mr. Callaghan is prepared for party criticism of his intention to allow the public servants 10 per cent now,

British Gas moves office to lobby in Washington

BY RAY DAFTER, ENERGY CORRESPONDENT

THE British Gas Corporation, of the hold-up in development whose international consultancy service in the U.S. has been hit by American energy policies, is closing its Connecticut office and moving to Washington in a bid to become more involved in political considerations.

The corporation, through its International Consultancy Service, receives about £5m a year from the sale of gas technology. About half of this revenue is generated in the U.S., much of it from licences on substitute natural gas processes.

For the last four years, however, the U.S. energy administration has put a brake on the construction of substitute natural gas plants, which use oil products as feedstock.

It is argued that the products should be reserved for the chemicals industry. As a result

Chrysler draws up agreement as disputes loom

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

Management and unions of Chrysler U.K. are to meet today to discuss a new agreement. The Department of Industry officials in Coventry today to approve the final draft of a new planning agreement.

Chrysler is the only company to have entered such a formal agreement—an issue which was central to the Labour Party election campaign nearly four years ago.

Today's gathering could hardly have come at a more embarrassing time for the company. Industrial disputes threaten to bring all car assembly to a standstill within the next 48 hours, and serious questions have been raised about the long-term future of the troubled Linwood plant in Scotland.

There is concern both in Whitehall and within the U.S. about the company's performance. The Scottish operations have been particularly disappointing, but the company moved quickly last night to deny speculation that it was considering the disposal of the plant to a Japanese company.

Chrysler has partnership arrangements with Mitsubishi Motor Corporation in some of the important world car markets outside Europe.

Mr. Eugene Cabero, deputy managing director of Chrysler, in Detroit, has issued a clear warning that "a consistent achievement of programme levels and production is vital to the viability of Chrysler U.K."

Output at Linwood is at a standstill because of a strike by 350 plant-shop workers over manning arrangements. About 5,000 workers have been laid off and three days' production of Avenger and Sunbeam models has been lost.

The planning agreement is thought to be silent about plans for Linwood beyond 1980. However, it has been unofficially said that Linwood will get production of the next new car only if they demonstrate a sufficiently good production record to justify the investment.

At Coventry, an unofficial strike by 250 toolmakers over differentials could cause widespread lay-offs today at the engine factory at Stoke, and the assembly plant at Ryton.

Hopes for a settlement rest on a meeting today, when toolmakers' leaders will be told that they will have the chance to put their claims to Mr. George Lacey, Chrysler U.K.'s managing director, and Mr. Terry Duffy, president-elect of the Amalgamated Union of Engineering Workers, at a national conference.

The latest unrest seems likely to thrust Chrysler back into the red, after a successful first quarter when the U.K. operation returned profits for the first time since the Government rescue negotiated in 1973.

Last night, there was obvious concern among senior Chrysler executives that the immediate problems should not cloud the progress made with trade unions in discussing longer-term objectives through the planning agreement.

The draft planning agreement will be forwarded to Mr. Eric Varley, Industry Secretary, who is expected to sign it within the next few weeks.

In Detroit, Chrysler U.K.'s parent said it planned to invest up to \$180m (198m) over the next three years to expand, modernise and retool its Syracuse, N.Y., new process gear plant.

The programme involves redesign of the entire line of new process gear products for trucks, four-wheel vehicles and the smaller, front-wheel-drive passenger cars, the company said.

Efforts by BL Cars to gain a bigger share of the expanding U.K. market are threatened by yet another dispute. The company said last night that lay-offs were likely within the week because of a strike by 640 press shop operators at Swindon.

The Swindon plant supplies panels to the Longbridge, Cowley and Abingdon plants. Models threatened are the Mini, Allegro, Marina, Maxi, Princess, and MG.

Tractor slump casts gloom on farm show

BY CHRISTOPHER PARKES

NEW FIGURES on the state of Britain's farm machinery market provided a gloomy note yesterday for the start of the Royal Show at Stoneleigh, Warwickshire, the farming industry's main showcase of the year which opens this morning.

Home sales of tractors and machinery over the past 12 months were 12½ per cent down on a year before, said the Agricultural Equipment Dealers' Association, and there was little prospect of any substantial increase in the rest of this year.

Dealers are now offering farmers new tractors with price cuts ranging from 16 to over 20 per cent.

At the same time, the Agricultural Engineers' Association reported a 13 per cent surge in the value of tractor imports in the first six months of the year compared with the same period of 1977, coupled with a 3 per cent dip in exports.

Imports of other farm machinery jumped 23 per cent over the five months and the value of imported tractor engines rose 37 per cent.

Tractors, which account for 80 per cent of farm machinery, have been badly hit on home and foreign markets.

Officials from Massey-Ferguson, Britain's biggest tractor manufacturer, said next week its entire tractor workforce would be laid off for one week before the annual three-week holiday.

The company has already announced more than 1,000 redundancies from its 8,000 workforce. Almost all this loss of jobs later this month will hit the staff at the Coventry works.

Massey said world-wide demand for tractors had slipped 15-20 per cent and it could not foresee any improvement.

Four-fifths of the company's production was exported—mostly to the developing world where the fall in sales had been severe.

The agricultural engineers say trade has "virtually ceased" with Turkey which only two years ago was the UK's biggest market.

At the Ford tractor plant in Basildon, Essex, the customary three-week annual holiday is expected to be extended to six weeks this year.

However, Mr. John Colman, president of the agricultural engineers, forecast "a marked change next year as British manufacturers switched their attention away from home sales to export markets for machinery."

"There is no doubt that this industry is in a period of adjustment. We must recall that we have just passed through a boom period and comparison with that can be misleading," he said.

Weather

U.K. TODAY
 SHOWERS, bright later.
 London, S.E., E., Cent. S., Cent. N., England, E. Anglia, Midlands. Bright periods, showers. Max. 18C (61F).
 Channel Islands. Cloudy with rain. Max. 18C (61F).
BUSINESS CENTRES
 Amsterdam. 17-22. 18-23. 19-24. 20-25. 21-26. 22-27. 23-28. 24-29. 25-30. 26-31. 27-32. 28-33. 29-34. 30-35. 31-36. 32-37. 33-38. 34-39. 35-40. 36-41. 37-42. 38-43. 39-44. 40-45. 41-46. 42-47. 43-48. 44-49. 45-50. 46-51. 47-52. 48-53. 49-54. 50-55. 51-56. 52-57. 53-58. 54-59. 55-60. 56-61. 57-62. 58-63. 59-64. 60-65. 61-66. 62-67. 63-68. 64-69. 65-70. 66-71. 67-72. 68-73. 69-74. 70-75. 71-76. 72-77. 73-78. 74-79. 75-80. 76-81. 77-82. 78-83. 79-84. 80-85. 81-86. 82-87. 83-88. 84-89. 85-90. 86-91. 87-92. 88-93. 89-94. 90-95. 91-96. 92-97. 93-98. 94-99. 95-100. 101-102. 102-103. 103-104. 104-105. 105-106. 106-107. 107-108. 108-109. 109-110. 110-111. 111-112. 112-113. 113-114. 114-115. 115-116. 116-117. 117-118. 118-119. 119-120. 120-121. 121-122. 122-123. 123-124. 124-125. 125-126. 126-127. 127-128. 128-129. 129-130. 130-131. 131-132. 132-133. 133-134. 134-135. 135-136. 136-137. 137-138. 138-139. 139-140. 140-141. 141-142. 142-143. 143-144. 144-145. 145-146. 146-147. 147-148. 148-149. 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